



3 1761 11650307 9

Government
Publications

CA1 YC 20
-E86

CA1 YC 20-E86

Canada. Parliament. Senate.
Standing Committee on External
relations.

Proceedings
1967/68
no. 1 - 4



CA14C 20
-E86

Government
Publications



Second Session—Twenty-seventh Parliament

1967

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

No. 1

First Proceedings on the Report of the Department of External Affairs
for the year ended 31st December, 1966, with particular reference to
that portion which deals with External Aid.

THURSDAY, DECEMBER 7th, 1967

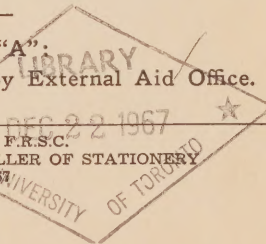
WITNESS:

External Aid Office: Maurice F. Strong, Director-General.

APPENDIX "A":

TABLES 1 to 10, as supplied by External Aid Office.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967



THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable Senators

Benidickson,	Macdonald (<i>Brantford</i>),
Blois,	MacKenzie,
Boucher,	Macnaughton,
Cameron,	O'Leary (<i>Carleton</i>),
Cook,	Pouliot,
Croll,	Quart,
Farris,	Rattenbury,
Fergusson,	Roebuck,
Fournier (<i>De Lanaudière</i>),	Savoie,
Gouin,	Smith (<i>Queens-Shelburne</i>),
Grosart,	Thorvaldson,
Haig,	Vaillancourt,
Hayden,	Vien,
Inman,	Yuzyk—(28).

Ex officio members: Flynn and Connolly (*Ottawa West*).

(Quorum 7)

MINUTES OF PROCEEDINGS
THURSDAY, NOVEMBER 2ND, 1967

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 2nd, 1967:

"With leave of the Senate,

The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Committee on External Relations be authorized to examine and report upon the Report of the Department of External Affairs for the year ended 31st December, 1966, tabled in the Senate on 22nd March, 1967, with particular reference to that portion which deals with External Aid; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MACNEILL,
Clerk of the Senate.

Digitized by the Internet Archive

University of Toronto

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

Ottawa, Thursday, December 7, 1967.

The Standing Committee on External Relations, to which was referred the report of the Department of External Affairs for the year ended December 31, 1966, with particular reference to that portion thereof which deals with external aid, met this day at 2 p.m.

Senator Gunnar S. Thorvaldson (*Chairman*) in the Chair.

The Chairman: Honourable senators, I notice that we have a quorum; we will therefore get our meeting under way. May I have the usual notice to print?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings.

Honourable senators, this meeting is called in pursuance of Senator Connolly's resolution that the Standing Committee on External Relations be authorized to examine and report upon the report of External Affairs for the year ended December 31, 1966, tabled in the Senate on 22nd March, 1967, with particular reference to that portion which deals with external aid.

Honourable senators, we have with us today Mr. Maurice F. Strong, who is the Director General of the External Aid Office, which is under the jurisdiction of the Secretary of State for External Affairs. May I say one or two words about Mr. Strong, who is a most distinguished Canadian, as most of you know? I take some pride in the fact, to begin with, that Mr. Strong saw the light of day in my Province of Manitoba. From then he entered upon a business career which was most distinguished, and I just want to say that Mr. Strong had an opportunity, of

course, to continue such a career with the prospects of great success for himself personally, financially, and in every other way.

However, I think Mr. Strong is one of those individuals who feel the call of public service. He wanted to do something for Canada, and may I suggest that he is really a volunteer into the Public Service of this country; at least that is the way I would like to put it to you. He has become the Director General of the External Aid Office, a post which all of you recognize, I am sure, as being of great importance, and of greater importance in the future than in the past. Mr. Strong.

Mr. Maurice F. Strong, Director General, External Aid Office: Thank you. Mr. Chairman, honourable senators, thank you first, Senator Thorvaldson for those all too kind remarks. I consider it a great privilege to be part of the Public Service of Canada and I consider it a special privilege to have the opportunity of appearing before you today and discussing with you my favourite subject, external aid.

In line with the suggestion made to me by our distinguished chairman, I will deal today with the general world picture and, at a further session, turn to Canada's particular role in the aid field and some of the more specific aspects of the Canadian aid program.

I might say that in these remarks I will necessarily refer to a fair amount to figures. Some of what I say might seem a little dry and dull, but I have been asked by the chairman to make this a substantive presentation. I know that honourable senators are interested in looking at the substantive aspects of this aid problem, so I have included a fair amount of specific information, and we are, of course, in a position to add to this specific information in response to any questions that you may wish to raise.

It is becoming clear, I think, to anyone involved in external aid, and certainly it has become increasingly clear to me in the year

in which I have been in this office, that a crisis of alarming proportions is building up in the area of the world that we call the lesser developed world, and this prospect is not simply the creation of misinformed prophets of doom and despair. Any objective analysis of present indicators and present trends has got to lead to the conclusion that, if present trends continue, conditions in the lesser developed nations of the world, both in absolute terms and in contrast to the more developed sector, will reach a point where the pressures for change, of cataclysmic proportions, will become intolerable in the years ahead.

The paradox is that today we have the resources and we have the technology to bring new dimensions of hope and opportunity to the lesser developed world. What we need to summon are those other resources of conscience and will to do the job. World aid patterns have been anything but encouraging in recent years. In fact, the official aid flow has been almost stagnant for the past five years. When we look at the aid flow in the decade between 1956 and 1966 we find that the over-all volume grew steadily between the years 1956 and 1961. In fact, it almost doubled in that period. Since then there have been small shifts up and down, but no major changes in contributions from members of the Development Assistance Committee, known by its initials DAC. If I may, I will refer to it as DAC in my subsequent references to it. It is a part of the Organization for Economic Co-operation and Development usually known as the OECD.

The 15 countries linked in this committee provide more than 90 per cent of the aid to the less developed regions of the world. The last substantial increase in official contributions occurred in 1961 when the total rose by more than \$1.1 billion, or some 23 per cent.

Rather than give you a lot of statistics I have prepared a number of tables which include much of the data to which I shall refer in these remarks. All of these tables are available for distribution here. Would you like to have them passed around now, Mr. Chairman, or later?

Senator Croll: It will be easier to follow Mr. Strong's remarks if we have them now, Mr. Chairman.

The Chairman: Yes. Is it agreed that they become part of the record?

Hon. Senators: Agreed.

(See Appendix "A")

Senator Pouliot: What is the substance of those statistics?

Mr. Strong: I will be referring to them as I proceed. For instance, the first table to which I refer shows the total flow of aid for those countries which are represented in the DAC for the years 1956 to 1966. This is Table 1.

Senator Pouliot: You will refer to them as you go along?

Mr. Strong: Yes, I will refer to the tables as I proceed. For instance, the first table to which I refer shows the total flow of aid for those countries which are represented in the DAC for the years 1956 to 1966. This is Table 1.

Senator Pouliot: Are they NATO countries or UN countries?

Mr. Strong: They include all of the major donor countries in the western world, and they also include Japan. As they are listed here they are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, the United Kingdom and the United States.

Senator Pouliot: They are the countries who pay something?

Mr. Strong: Yes, indeed.

Senator Pouliot: Not those who receive?

Mr. Strong: No, these are the countries that pay, and they comprise 90 per cent of the total aid-giving capacity in the world.

As I mentioned, you will notice from these that the last really substantial increase in official contributions occurred in 1961. Now, the net official aid from DAC countries last year was about \$6.39 billion, which was an increase of only 3.7 per cent over 1965. But, even this small increase may have been offset, and probably was offset, in real terms by increases in the prices of aid-financed goods.

Although the absolute volume of direct aid has remained at about the same, it remains a declining share of the national income of donor nations as a whole. In fact, in the past five years the more developed countries have

increased their collective income as represented by their gross national products by more than \$200 billion, and virtually none of this was reflected in increased aid flows.

Senator MacKenzie: Are these fixed dollars?

Mr. Strong: Yes, they are not adjusted for purchasing power.

Senator MacKenzie: In other words, the figures you gave us are the same for 1961 as for 1966 in terms of the purchasing power of the dollars.

Mr. Strong: No, senator, they have not been adjusted for purchasing power.

Senator MacKenzie: So, the \$200 billion, or whatever it was, increase in dollar income of donor countries does not actually represent that amount of purchasing power?

Mr. Strong: No, but neither do the aid figures. They are a comparison, because neither figure has been adjusted.

Senator MacKenzie: In other words, they balance out.

Mr. Strong: Yes.

Senator Grosart: What proportion of this amount of \$6.3 billion is net?

Mr. Strong: This really is net. This is the net figure.

Senator Grosart: Net of debt repayment?

Mr. Strong: Yes, net of debt repayment. This is really the net figure. This is really the only realistic figure, but it does not include the private flows; it does not include private investment.

Senator Macdonald (Brantford): Mr. Chairman...

The Chairman: Honourable senators, I should like to say that the steering committee planned this meeting, and we have only an hour. We asked Mr. Strong to give the world picture today, and later on he will come down to the basis of the Canadian picture and other factors. I am in the hands of the committee, of course, but I think we should allow Mr. Strong to carry on with his remarks, and then if there is any time left before the Senate sits we shall have an opportunity to ask him questions. Is that agreeable to the committee?

Hon. Senators: Agreed.

The Chairman: I think Mr. Strong has a fairly lengthy agenda for a short period of time.

Senator Croll: That is subject to impulse.

Senator Roebuck: Irresistible impulse.

Senator Macdonald (Brantford): I don't want to be lost completely so I hope we will be able to ask questions to understand what the witness is saying.

The Chairman: Yes.

Senator Pouliot: Well, Mr. Chairman, I have only one question to ask of Mr. Strong. What is the basis for the percentage of total commitment that is mentioned on table 4?

The Chairman: Well, Senator Pouliot, we haven't got to that table yet.

Senator Macnaughton: Will the procedure be that the witness will read the statement and then we can ask questions?

The Chairman: Yes.

Mr. Strong: And I will try to answer honourable senators' questions when I come to the various points in my remarks.

In the past five years, the more developed countries have increased their collective income as represented by their Gross National Product by more than \$200 billion and virtually none of this was reflected in increased aid flows. Put another way, these countries have been increasing their total income every seven or eight weeks by an amount equal to the aggregate of their net official aid flows.

Most of this stagnation can be attributed to the so-called Big Four—the United States, Britain, France and West Germany. Almost the entire increase in official flows was due to the vigorous expansion of aid programs among the smaller donor countries—mainly Canada, Japan, Italy, the Netherlands and Sweden.

It is very likely that present trends will continue unless the aid programs of the Big Four resume a sustained upward swing. In fact, substantial efforts will be required merely to keep pace with a rising debt service burden and take account of price increases.

When we turn to the structure of aid—its forms and terms, we find significant changes

in pattern since 1961. In particular, the loan component has been rising since 1961. In 1966, among OECD members, grants and grant-like contributions amounted to \$3.75 billion or 58 per cent of the total. Loans accounted for another \$2.18 billion or 34 per cent and contributions to multilateral agencies—UN bodies, the World Food Program, the World Bank and its affiliates, regional development banks—to \$496 million or 8 per cent. This is reflected in table 6(c).

There has been a marked improvement in the average loan terms granted by many DAC countries in the past year, but this has been barely sufficient to regain the average position reached in 1964 and in some of the earlier years. Average interest rates are back at about 3 per cent after climbing to 3.6 per cent—and more than 5 per cent in some countries. Average maturities of 23.5 years for loans are still somewhat shorter than in 1964, and this is reflected in Table 3.

Grant or other soft-term assistance provided by some member countries is concentrated on a relatively limited number of recipient countries, especially those with whom they maintain particularly close traditional or even constitutional links. France, Belgium and the Netherlands, in particular, have granted very soft terms only to countries with which they have special relationships.

Since DAC set targets for improving the terms of aid—first in a general way in 1963 and then more specifically in 1965, three countries—Canada, Denmark and Britain—have introduced programs of interest-free loans.

The recent tendency of donor countries to reduce the ratio of grants to loans in the total aid flow has been an important factor in the rapid increase in the less developed countries' indebtedness. Moreover, debt service payments on official loans are bound to increase with the expiry of grace periods on a considerable number of loans made some years ago. These grace periods are usually extended to permit them to defer payment for a few years, but this is beginning to catch up with them.

The debt-service burden has increased, in fact to the point where a number of less developed nations are devoting 20 per cent of their foreign exchange earnings from exports to the servicing of interest and amortization payments on external debt. The World Bank and DAC officials have warned that if aid

continues to be extended on present average terms, some debt-service obligations are certain to become unmanageable.

In fact debt-service payments in 1966 on the external debt of 95 less developed nations listed by the World Bank are estimated at nearly \$4 billion—roughly \$2.8 billion in amortization payments and \$1.2 billion in interest. Between 1962 and 1966, payments of amortization and interest on external public debt grew at an average annual rate of 10 per cent—considerably faster than the increase in exports of goods and services by the less developed nations as a group. So, they are in a race that has just got to be corrected. Total outstanding debt grew even more rapidly at a rate of about 16 per cent a year. During this year it has topped the \$44 billion mark, as shown on Table 5.

As I noted earlier, more assistance is required each year simply to meet this increasing debt servicing. DAC researchers estimate that gross disbursements would have to rise by 30 per cent by 1975 even to maintain the present net level of aid. For individual members currently extending loans on very hard terms, the increase in flow would have to be much higher.

The conclusion is inevitable: even the maintenance of present net transfers requires either a dramatic increase in the levels of aid or a substantial alteration in financial terms. It seems probable in any case that some rescheduling of debt payments will be necessary in certain cases to avert a crisis. There have already been rescheduling operations: in Ghana and Indonesia last year and in Argentina, Chile, Brazil and Turkey in earlier years. More of these rescheduling operations are going to have to be confronted in the years ahead.

When we turn to an examination of the kinds of aid being provided, two trends are in evidence: a steady growth in technical assistance; and a swing away from project assistance to more aid on a non-project basis. This is industrial raw materials, commodities, individual items of equipment not relating to specific major capital projects.

Of the country-to-country commitments made last year by DAC members, nearly 50 per cent were in non-project assistance—food aid and other commodities, raw materials and spare parts. Another 16.8 per cent was allocated to capital projects, 18.1 per cent for technical assistance and 11 per cent in official export credits, as noted on tables 6 and 7.

Of a little more than \$2 billion allocated to capital projects last year, the largest share—about 45 per cent—went to bolster economic infrastructure: the projects essential to growth such as railroads, highways, harbours, power sites, communication networks. Twenty-eight per cent went to industry and mining, 12 per cent to agriculture, and slightly more than 10 per cent to social and administrative infrastructure—public administration, health and social services, community development. This is illustrated in more detail on table 8.

Technical assistance is being assigned a higher priority by a growing number of donor countries. This kind of help—training people and transferring of skills and experience—can often garner public support more easily than large-scale transfers of capital equipment and commodities.

Technical assistance grants have increased 50 per cent in the last four years compared with official flows which were up by only 8 per cent. The annual average increase in such grants in recent years of nearly 15 per cent was maintained last year, and expenditure of DAC members for technical assistance last year amounted to some 19 per cent of bilateral aid compared to only 10 per cent in 1961.

Another interesting feature is that volunteer programs have become an important part of the technical assistance sector. About half of these are teachers; the rest provide middle rank personnel in a variety of planning, science, health and community development fields.

Again, contributions by DAC members to multilateral agencies, many of which play an important role in technical assistance, have been increasing in the past two years after a sag from the 1961 peak. As noted earlier, the figure last year was nearly \$500 million, and this is reflected in tables 6(a), 6(b) and 6(c). The number of multilateral organizations is increasing—this at a time when the net levels of aid are flattening out—and the activities of these multilateral agencies are being extended into new fields. The Inter-American Development Bank increased its commitments by 24 per cent last year and its disbursements were up 27 per cent to \$142 million. Other development banks are beginning to make commitments. Development assistance has become in fact a major preoccupation of the United Nations and its related agencies.

Today you have a situation in which most of the funds flowing into the United Nations and its various agencies are devoted in one form or another to development assistance programs. The largest directly related UN program is, of course, the United Nations Development Program, the UNDP, which is a combination of the UN Special Fund and the Expanded Program of Technical Assistance. Last year the expenditures of this group were up to \$134 million.

In the private sector the overall flow of investments and export credits fell last year after two years of increase. OECD experts tell us that the 1966 figures should not be taken as a pattern for the future. Private flows are somewhat unpredictable and very strongly influenced by the demand for money in the interest rate structure in the donor countries themselves, and they are therefore subject to rather wide fluctuations. I think it is pretty evident with the climate existing now in terms of supply of money for investment purposes in the donor countries as a whole that it will be increasingly difficult to encourage private capital flows into the developing world.

Some of the drops in private investment were offset by increases in export credits, but these are no real substitute for long-term development aid. They are designed essentially to promote exports rather than to finance economic development, particularly those credits of a short-term nature. There is no question that they play a useful role as international trade expands, but if one of the objectives of softening of the terms of official credits is to ease the burden of debt service it is of little avail if this is cancelled out by an expansion of higher cost export credits.

In the area of aid by voluntary, non-profit groups, Canada, along with some of the other donors, has been pressing in the international forums for a greater effort in this direction. It is difficult to estimate accurately, but the total flow of aid through non-governmental organizations in DAC member countries has now reached something of the order of \$1 billion or more a year, which is a rather significant figure when you consider that total net official flows are a little over \$6 billion. Of course, this figure includes resources put at their disposal by governments.

The economic record in the less developed nations is often overshadowed or crowded out of the published news by a recital of disturbing political developments and there has been a fair share of these in recent

times—the Indian-Pakistan conflict, the internal struggles in countries such as the current one in Nigeria, and the protracted and immensely costly war in Vietnam.

In spite of this, many countries in the less developed world have been making significant progress. The World Bank estimates there are fifteen countries in the less developed world where basic conditions for economic advance are such that they could become relatively independent from foreign assistance in the next ten to fifteen years.

There have been improvements in the processes of planning and determining priorities, expansion of secondary school and higher levels of training, in the provision of better health services, more effective administration machinery, land tenure and tax reforms. I could list quite a number of very encouraging facts to illustrate the basic premise that I am trying to make here—that, despite the discouraging things, there is very convincing evidence of substantial progress in a number of areas.

Senator Macdonald (Brantford): Would you care to list the areas?

Mr. Strong: Indeed I could. For example, between the early 1950s, and 1960s, the number of children attending primary schools in Africa and South America doubled. It passed the population growth in those areas by a very substantial margin. In Asia, it more than doubled.

Installed power capacity in these developing countries is now equivalent to the entire installed power capacity in western Europe in the pre-World War II period, a not insignificant growth. India has doubled its power capacity since 1960. The industrial production has doubled as a whole in the less developed nations since the early 1950s.

When the current economic record is examined in the light of the target set by the United Nations Development Decade—you recall they set a minimum target of 5 per cent annual minimum growth rate during the Decade of Development—the record in this area is not entirely so encouraging. Estimates for 52 less developed countries, embracing 90 per cent of the population of the less developed countries of the world as a whole, show that the average overall growth rate last year was 4.9 per cent, compared with 3.7 per cent in 1965. On the face of it, that looks pretty good, because it is only marginally below the 5 per cent United Nations target.

However, population growth has continued at a rate of about 2½ per cent of this brings the average per capita economic growth rate down to something about 2.3 to 2.4 per cent in 1960s. And if southern Europe is excluded from those figures the level is reduced further still. This can be looked at in greater detail by reference to table 10.

Exports from the less developed nations, estimated at \$41.7 billion in 1966, increased by 7.3 per cent in value last year, compared with 6.2 per cent the previous year. But since world exports increased even faster, the share of the less developed nations in the overall total dipped to 23 per cent, where seven years ago it was more than 25 per cent. This is an indication of progress in the wrong direction.

However, the average price level of the primary commodities on which those countries depend for the bulk of their exports did not rise proportionately between 1960 and 1966 when compared with the rising trend in the average price of manufactured goods. This means they have really received less for exports, while they have to pay more for imports from the heavier developed countries.

A general review in terms of gross national product, of course, fails to reveal the substantial differences in the rate of economic progress among the less developed nations. Over the period 1960-1966, Greece, Spain, Israel, Jordan, Taiwan, Panama, Nicaragua, Korea and Thailand reported average annual growth rates between 7.2 and 9.7 per cent. A few days ago Iran joined Taiwan as the second country to be able to end its reliance on economic aid from the United States. Taiwan did so in 1965. So these are some of the countries in which aid has had the effect of helping them to self-sustenance. But this group of nations with the high growth rates represent less than 10 per cent of the population of the less developed world. Among the most populous countries such as India, Pakistan, Indonesia, Brazil, etc, only three—Mexico, Pakistan and Nigeria—reached or were above the United Nations 5 per cent target. Even with such growth rates, per capita income levels are still well under \$300 a year.

In many areas, progress is being impeded and even negated by the pressure of rising population. I have already mentioned what population pressures are doing to growth rates. This is a very big subject and I think that, in the interests of time, I will not go

into it in detail at this time. I have a lot of information on this subject and if it is of interest to the honourable members I could certainly go into this at considerably greater length. By the year 2000 the population could rise to more than 7 billion; even with a 30 per cent decrease in fertility the figure would be 6 billion.

The Chairman: What is the present population figure?

Mr. Strong: About 3.3 billion, which would be a little less than doubled at the 6 billion figure.

But, in terms of food production, this means that even to maintain the present inadequate nutritional levels in the less developed world, we will have to double the world's present food production by the end of the century. This involves matching in the next 33 years everything we have been able to achieve in food production since the beginning of time.

When you recognize that so many increases have been achieved in food production by bringing new acreage under cultivation—and perhaps there is still some room in this area even though we are practically approaching the economic limits in that direction—you will realize that most additional increases will have to be made by application of technology and through large amounts of capital going well beyond those amounts available in the developing countries themselves. This is a startling fact—so startling, indeed, that it is very hard to credit, but I have been doing a lot of homework in this area in recent times and I cannot help but be impressed by the fact that it is literally true that, unless we do double production, literally tens of millions of people who are now in this world or are about to come into it cannot help but starve to death by the end of this century.

To maintain minimum nutritional standards, the estimated increase in caloric requirements for India by 1985 would be between 88 and 108 per cent; for Pakistan, from 118 to 146 per cent; and for Brazil, about 100 per cent. The increase in protein needs would be of about the same magnitude. The latest world food survey showed that at least 20 per cent of the population of the less developed areas was undernourished and about 60 per cent received diets inadequate in nutritional quality.

But in the face of this, the average rate of increase in food production in Asia, Africa and Latin America from 1958 to 1965 was 2 per cent a year with a reduction in the last four years of that period to about one per cent. According to the latest assessment of the Food and Agriculture Organization, preliminary information about 1966 indicates an actual drop of about one per cent in Africa and Latin America.

Population growth has become a critical element in determining the rate of economic growth. Any addition to population requires additions to the infrastructure of housing, schools and food supply; thus a substantial part of hard-won resources available for investment must be devoted to coping with that increase.

Because of high birth rates, the percentage of children in the population of less developed nations is much higher than in the developed ones. The proportion of those under 15 years of age ranges between 36 and 48 per cent in the less developed countries compared to a range of 21 to 34 per cent in the richer nations. This places a heavy dependency burden on productive adults as well as on education, health and other services.

It is clear then that if the less developed nations are to make genuine economic progress, they must accomplish both effective population control and more rapid agricultural development than has ever been achieved by any of the developed countries.

It is interesting to note a significant change in attitude among developing countries to population control. Their governments are endorsing control policies at a rate and in a climate of world approval unheard of even a few years ago.

I could and will, if honourable senators wish at a later point, tell you what some of the individual countries are doing in this respect.

Because of the complexity of development assistance and the proliferation of donor agencies, co-ordination of aid efforts has become more and more important. There is justifiable concern about an overlap in operations, particularly among multilateral organizations. Their operations and those of donor nations should be subjected to objective analysis and accountability in terms of results achieved.

The OECD's Development Assistance Committee was set up seven years ago to provide a meeting ground where donors could consult and exchange experience on common problems, and it has done a good deal to contribute to a better communication in this area and a better co-ordination. Likewise, the World Bank has played an even more activist role in the world aid picture, both through its own work and through the consortia and consultative groups which it fosters and administers.

Let me just make a comment about the World Bank group. As you know this is really the principal multilateral institution in the agencies development field, and it really has three elements in it. The World Bank itself has lent about \$10 billion in its 21 years of existence, most of it in developing countries.

The International Development Association (IDA), an affiliate of the bank, is engaged in much the same kind of lending activity, but its terms of repayment are considerably easier. Individual donor nations are being asked, in fact, to match IDA standards in their development loans. More than 70 per cent of IDA's commitments has been made in the less developed countries of Asia and IDA has been particularly active in financing agricultural and education projects.

A total of \$1.69 billion of the funds made available to IDA since it was set up in 1960 had been committed by midsummer of this year—and the balance of only about \$87 million is earmarked for projects in the final stages of consideration.

Proposals for replenishment of IDA resources are now under urgent consideration. Canada has indicated strong support for replenishment at a substantial level. But debate is continuing on some of the conditions attached to the proposals. And even if approval is achieved soon, the necessary legislative action by individual governments might take at least six months, and it is clear that at this time the developing aid relationship between developed and developing countries is reaching rather a crucial stage.

The World Bank's other affiliate, the International Finance Corporation, works exclusively in the private sector and some honourable senators may have seen reference to the recent visit to Canada of the Executive Vice-President of that organization, Mr. Rosen. It makes loans to private borrowers without government guarantees and we have been seeking to induce Canadian investors to use it to a greater extent because we feel

they have not made sufficient use of it. It invests in share capital and it underwrites offerings or placement of securities by new or expanding enterprises.

In its operations, the Bank has become more than a lending agency. It has found that it has had to offer advice on how to prepare potential projects; it has gradually found itself playing the role of adviser in such areas as economics, engineering and administration.

Although I have devoted most of this review to a discussion of the kinds of direct aid being made available to less developed nations with which we are primarily concerned in our own external aid program, I should point out that there is a mounting recognition of the fact that direct aid is only one of a number of elements in the complex of relationships between the less and more developed countries. There is no question that we must provide better access to our markets for the products of these less developed nations. In fact, we should be prepared to help them sell their products in our markets. We must also work out methods of mitigating the disastrous effects on their development programs of wide fluctuations in foreign exchange earnings from their chief exports.

The world's attention will be focused on these questions at next February's second full session of the United Nations Conference on Trade and Development (UNCTAD) in New Delhi. This conference of 131 nations will consider proposals for a scheme to trade preferences for the less developed countries and other measures. The richer countries will be called on to set lower tariffs against imports of manufactured and semi-finished goods from the less developed world than they do against imports from each other.

We realize from the type of results already achieved that underdevelopment is not preordained and immutable. Application of external resources—both skills and capital—can help induce and accelerate economic and social development of less developed nations.

We have learned that helping to rebuild societies in which there is a long industrial tradition and an abundant supply of the necessary human skills, as the Marshall Plan did in Europe, is basically different from fashioning a modern industrial society in countries which do not have this tradition or these skills. Today we understand more

about the psychological barriers created by the very nature of the donor-recipient relationship.

We are beginning to realize—and this has been perhaps the most difficult lesson for the industrialized nations—that more research is essential in the processes of international development. We have been busy transferring to the developing countries, with little or no modification, our skills, experience, materials, and equipment. We want these nations to leap the centuries, but we do little to take this into account in planning our assistance to them. Little is known about the factors that make technologies acceptable in varying in different cultures.

We need to know more about the social, administrative, cultural, and resource bases of economic development.

I have been impressed by the fact that in North America the average growth company or corporation spends some 6 per cent of its annual sales, and an even higher percentage of its annual capital expenditure, on research. They do this for good, hard business reasons, because it produces results. In many respects aid to developing countries is a new and complex industry, and one in which we have not great amounts of experience. In fact, I am appalled when I see how little attention is paid, and how little money is spent on, research.

Our research has to be adaptive, capable of being applied in the developing regions, whether it is in food production, machinery, or techniques. We have to pay more attention to "traditional" expectations, and not simply parrot the slogans of the revolution of rising expectations.

We still have a big job to do in dispelling the disillusion and cynicism which seem to have set in on both sides of the development partnership. Many donor nations have provided aid under conditions more suited to their own narrow political, military, or commercial objectives than to the real needs of the recipients. Some donors, in their rush to implement their own strategy, have inhibited recipient countries from developing a capacity for initiative, decision-making, and administration. On the other hand, some recipient countries have been irresponsible in the use of their own resources, and of aid funds.

We are at a major crossroads in the field of aid today. The rich nations have not run out of resources for the effort required. The

resources are more available than ever, but are not being released in sufficient quantity. There has been a weakening of will of commitment after almost two decades of experience.

Mr. George Woods, the President of the World Bank, in a speech in Stockholm a few weeks ago, suggested a searching inquiry—a "grand assize", he called it—into the whole field of development assistance. Such a high-level probe similar to the one which preceded the Marshall Plan could examine what has gone well in the past, and determine what should be our priorities and our courses of action in the future, focusing the attention of government at the highest policy levels on these priorities and these proposed courses of action.

Mr. Woods' proposal seems basically sound if we are to arrest the present drift. What is vital is to devise a working strategy for world-wide growth, as the London *Economist* says. The stakes are greater even than in the Marshall Plan days. Nothing less than human survival is at stake in this enterprise.

The Chairman: Thank you, Mr. Strong. Before honourable senators commence their questioning I just want to say, as Mr. Strong has indicated, that we hope to have him back with us a week from today, at which time he will focus his remarks more directly on Canada's place in the external aid field. Consequently, for the rest of our time today I hope you will devote your questions to the general picture that Mr. Strong has presented to the committee.

Senator MacKenzie: Mr. Chairman, perhaps I could for a moment be the devil's advocate. I am sure Mr. Strong will understand that, because he knows something of my interest and background in this whole field.

He has indicated that one of our major problems is in the fact that food production is not keeping pace with the increase in population in many of these areas. And this is, I suspect, one of the psychological reasons why it is difficult to persuade contributing countries to increase their aid.

A second one is this, the man on the street. You find in East Africa, for instance, a plan for an East African federation, which fell apart. You had the same situation happening in the Caribbean. The federation in Nigeria

has not been too successful. There is a feeling that if more of these countries could get together and cooperate, they could solve some of their difficult problems.

In addition, there is the fact that some of these governments do engage in uneconomic practices, such as the development of airlines—the last thing in the world they need; or in the establishment of expensive embassies in practically every country across the world, in which you have, by and large, a lot of big and expensive cars being driven around, and so on.

These are petty things and, as I say, I am being the devil's advocate, but these are some of the psychological reasons which are the basis of difficulties in getting greater aid from the productive countries.

Just one question, and a more specific one. The balance of payments and the financial circumstances of Britain, the United States, Canada, and, to a certain degree, West Germany, do not make it easy for their governments to persuade their peoples that more of the revenue of those countries should be devoted to external aid, if it means an increase in the deficit of balance of payments, an increase in taxation, or what you will.

Later on, if I have the time, I would like to ask a question or two about Canadian aid. For instance, in an address that the Secretary of State for External Affairs made a few weeks ago in Windsor, he made reference to the \$5 million grant for voluntary agencies, and this kind of thing; but I will leave that for another time. However, what is the effect of the financial and economic situation in the countries I have mentioned?

Mr. Strong: I think the senator has put a finger on a number of the objections felt by the people in the donor countries towards aid programs. I might make one brief comment on that. I think one of the problems, really, is that a disproportionate amount of attention has been focused on the negative aspects.

Senator MacKenzie: I agree.

Mr. Strong: It is much harder to see progress. In a military confrontation, when you win a battle it makes news, but in a development program, precisely because you have won the battle, there is no news value attached to it. One of the problems with the aid business is to interpret the successes, and there have been notable successes.

Specifically on the balance of payments question, I think the balance of payments problems arising out of aid expenditures are very much exaggerated, and that all too frequently these are given as reasons for withholding support of aid. In fact, under Canada's programs and the bilateral programs of most of the substantial donor countries, we provide what we call tied aid, in that our aid expenditures are conditional on its being used to purchase Canadian goods and services. Something like 80 per cent of the funds that were provided under our bilateral programs are actually spent in Canada to buy Canadian goods and services.

Senator MacKenzie: Is that reasonable or would free aid be better?

Mr. Strong: It has to be admitted that this increases the cost to donor countries in many instances of our aid and contains an element of export subsidy. This has to be admitted.

Senator Grosart: We have this figure of \$6.3 billion as the current net level of 1966. Taking 1967, what would be, from the DAC computations and the OECD computations, a satisfactory total of international aid? Secondly, what would Canada's share be in comparison with our present \$300 million?

Mr. Strong: I cannot give you an absolute answer to that. I think perhaps the closest attempt which has been made is the attempt by Mr. Woods, President of the World Bank, that in his view the developing countries could use effectively at least \$4 billion more per annum than is now coming to them. Most people would think that very conservative, because the World Bank is thinking in terms of its own amount of aid.

Senator Grosart: Is that net?

Mr. Strong: That would be net, yes.

Senator Grosart: That is net of debt services?

Mr. Strong: Yes, but I would think, allowing for the fact that the World Bank looks at a particular type of project and applies a particularly hard type of analysis to it, it would be greater than this.

Senator Grosart: It would be \$6 billion or \$7 billion in actual money?

Mr. Strong: Yes.

Senator Grosart: What would the Canadian share be?

Mr. Strong: Depending on what you regard as a proper share for Canada...

Senator Grosart: What would we have to increase our present level?

Mr. Strong: Right now Canada provides something like five per cent of the total net official aid flows.

Senator Croll: It would be doubled?

Mr. Strong: The Government indicated that it intends to achieve the one per cent gross national product target, which has been accepted as a minimum target in the international community.

Senator Croll: I think it is worthwhile asking this. You said that 80 per cent of our bilateral gift is by way of purchases in this country. What is it compared with other countries?

Mr. Strong: I do not have the figures at hand, but it would be roughly comparable. Some of the smaller countries, like Sweden, give a very high percentage of their aid on an untied basis, but it should be pointed out in this connection that some countries usually receive back in purchases, because they are a highly competitive, a greater share. If a country is receiving from the World Bank and other U.N. development institutions as much in purchases as it is in contributions, then obviously it is a lot easier for it to give these untied contributions. In Canada's case something like half of our contributions to the World Bank comes back to us by way of purchases in Canada. This is not a managed figure; it is just as a result of the operations of competitive tenders.

Senator Macnaughton: In the annual review of the external affairs office Paul Martin says:

Through its external aid program Canada is playing a significant part.

This is rather an obvious question but most people are very interested in it. How effective is our external aid? In other words, are we getting our money's worth? I understand we are making a 5 per cent contribution vis-à-vis the other countries, but how effective is the Canadian part?

The Chairman: I think, senator Macnaughton, we are going to go deeply into that subject next week. Perhaps it would be preferable not to open that subject up now.

Senator Macnaughton: This is the text for next week?

The Chairman: I would say, before we adjourn, that there may be many questions you wish to ask with regard to today's presentation. We will continue with the questioning on today's presentation, at our meeting next week, when we meet at 11 o'clock, on Thursday, and then go on to the Canadian scene.

Senator Cameron: When will we get the proceedings? Will we get them a day or two before that?

The Chairman: I will try to get them, if I can, Senator Cameron.

Whereupon the committee adjourned.

APPENDIX "A"

TABLE 1

THE FLOW OF OFFICIAL FINANCIAL RESOURCES TO LESS-DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES, 1956-1966

TABLEAU 1

LES FLUX FINANCIERS DU SECTEUR PUBLIC AUX PAYS MOINS DÉVELOPPÉS ET AUX ORGANISMES MULTILATÉRAUX, 1956-1966
Million U.S. Dollars—Millions de Dollars des États-Unis

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Australia.....	34	42	48	50	58.9	70.9	73.8	96.9	(104.0)	121.6	128.8
Austria.....	—	-1	2	7	-0.1	2.2	13.8	2.1	14.6	33.8	36.9
Belgium.....	20	20	23	79	101.0	92.1	69.8	79.7	71.3	101.6	81.4
Canada.....	30	48	91	60	75.2	61.5	54.4	98.0	127.7	124.3	208.5
Denmark.....	3	2	5	13	5.5	8.1	7.4	9.7	10.6	12.9	26.1
France.....	647	819	884	835	848.3	943.3	977.0	850.7	831.2	752.2	723.4
Germany.....	142	275	268	332	351.0	618.4	467.8	437.2	423.2	471.6	490.0
Italy.....	43	164	73	84	110.4	85.3	110.1	110.2	54.1	92.7	121.4
Japan.....	96	92	285	150	97.7	108.5	88.2	140.3	115.7	243.7	285.3
Netherlands.....	48	23	40	49	46.7	69.3	90.8	35.9	48.4	60.0	65.9
Norway.....	8	9	—	5	10.1	9.0	6.9	20.6	17.1	11.8	13.4
Portugal.....	3	2	1	17	36.9	43.8	40.8	51.1	61.9	21.2	24.5
Sweden.....	3	12	4	18	6.7	8.4	18.5	22.9	32.8	38.1	56.4
United Kingdom.....	205	234	276	377	407.0	456.8	421.0	414.5	493.4	480.6	501.4
United States.....	2,006	2,091	2,410	2,322	2,776.0	3,447.0	3,536.0	3,699.0	3,445.0	3,626.8	3,634.0
Total DAC Countries.....	3,288	3,832	4,411	4,398	4,931.3	6,024.6	5,976.3	6,068.8	5,851.0	6,192.5	6,397.5
											Total Pays du C.A.D.

Source: Development Assistance Committee Statistical Tables—October, 1967.

TABLE 2
THE FLOW OF FINANCIAL RESOURCES NET AS A PERCENTAGE OF NATIONAL INCOME, 1962-1966

	Total Official Flow, Net					Total Private Flow, Net					Total Official and Private Flow, Net				
	1962	1963	1964	1965	1966	1962	1963	1964	1965	1966	1962	1963	1964	1965	1966
Australia.....	0.53	0.63	0.62	0.68	0.67	..	0.04	0.12	0.13	0.04	..	0.68	0.73	0.80	0.71
Austria.....	0.25	0.04	0.22	0.48	0.49	0.31	0.06	0.10	0.19	0.17	0.56	0.10	0.33	0.68	0.66
Belgium.....	0.77	0.81	0.66	0.84	0.64	0.47	0.86	0.75	0.89	0.63	1.24	1.67	1.42	1.73	1.27
Canada.....	0.19	0.32	0.39	0.35	0.52	0.19	0.11	0.04	0.12	0.14	0.38	0.43	0.43	0.47	0.66
Denmark.....	0.12	0.16	0.15	0.16	0.30	0.12	0.01	0.30	0.03	—	0.24	0.17	0.44	0.19	0.28
France.....	1.76	1.39	1.24	1.06	0.95	0.76	0.68	0.82	0.80	0.75	2.51	2.06	2.07	1.87	1.70
Germany.....	0.69	0.60	0.53	0.55	0.54	0.27	0.23	0.36	0.30	0.27	0.96	0.83	0.89	0.85	0.81
Italy.....	0.33	0.28	0.13	0.20	0.24	0.84	0.56	0.44	0.39	1.04	1.17	0.84	0.57	0.59	1.28
Japan.....	0.19	0.27	0.19	0.37	0.37	0.43	0.24	0.29	0.36	0.33	0.62	0.61	0.48	0.73	0.70
Netherlands.....	0.83	0.32	0.34	0.38	(0.49)*	0.45	0.81	0.49	1.08	(0.98)*	1.27	1.12	0.84	1.46	(1.47)
Norway.....	0.17	0.47	0.35	0.22	0.23	—	0.02	0.12	0.49	0.07	0.17	0.50	0.48	0.71	0.29
Portugal.....	1.63	1.90	2.11	0.65	(1.14)*	..	..	..	0.22	(0.26)*	..	..	..	0.94	(1.40)
Sweden.....	0.16	0.18	0.23	0.25	0.33	0.16	0.24	0.24	0.20	0.31	0.32	0.42	0.48	0.47	0.84
United Kingdom.....	0.64	0.60	0.66	0.61	0.60	0.50	0.45	0.57	0.65	0.56	1.15	1.04	1.23	1.26	(1.16)
United States.....	0.77	0.76	0.66	0.64	0.60	0.18	0.18	0.25	0.33	0.16	0.94	0.94	0.92	0.98	(0.76)
Total DAC Countries.....	0.73	0.69	0.61	0.60	(0.58)	0.30	0.27	0.34	0.39	(0.32)	1.02	0.96	0.95	1.00	0.90

* Secretariat estimates.

Source: DAC Chairman's Report—July, 1967

TABLE 3

AVERAGE FINANCIAL TERMS OF OFFICIAL BILATERAL LOAN COMMITMENTS, 1964-1966.

	Weighted Average Maturity Periods			Weighted Average Interest Rates		
	1964	1965	1966	1964	1965	1966
Australia.....	—	—	—	—	—	—
Austria.....	8.8	7.7	6.5	5.2	5.5	5.2
Belgium.....	20.8	16.2	14.6	3.0	3.0	2.8
Canada.....	25.1	32.9	34.6	4.7	3.4	2.4
Denmark.....	19.1	13.7	18.7	4.0	5.3	0.0
France.....	15.6 ⁽¹⁾	17.6	15.3	3.2 ⁽¹⁾	3.8	3.6
Germany.....	18.1	16.9	21.2	4.0	4.2	3.3
Italy.....	9.3	6.3	8.0	4.3	4.3	3.7
Japan.....	16.0	12.0	14.4	5.8	4.4	5.2
Netherlands.....	24.2	23.9	..	3.9	3.5	..
Norway.....	17.0	16.0	—	4.5	3.0	—
Portugal.....	16.3	21.5 ⁽¹⁾	..	4.1	3.8 ⁽¹⁾	..
Sweden.....	20.0	20.0	20.0	2.0	2.0	2.0
United Kingdom.....	24.0	22.2	23.9	4.1	3.3	1.1
United States.....	33.4	27.9	29.3	2.5	3.3	3.0
Total D.A.C. Countries.....	28.4	22.3	23.5 ⁽²⁾	3.1	3.6	3.1 ⁽²⁾

⁽¹⁾Gross disbursement data.⁽²⁾Totals include 1965 figures for Netherlands and Portugal.

SOURCE: DAC Chairman's Report—July, 1967.

TABLE 4

GRANTS AS A PERCENTAGE OF TOTAL COMMITMENTS—1964-66.

	1964	1965	1966
Australia.....	100	100	100
Norway.....	95	96	100
Belgium.....	97	98	94
Canada.....	51	54	77
France.....	80	80	83
Sweden.....	80	89	73
Denmark.....	77	70	62
United Kingdom.....	54	55	50
Netherlands.....	75	71	..
United States.....	58	62	61
Germany.....	50	43	42
Portugal.....	18	29	..
Japan.....	51	37	42
Italy.....	44	21	13
Austria.....	21	14	16
Total D.A.C. Countries.....	60	60	59 ⁽¹⁾

⁽¹⁾Totals include 1965 figures for Netherlands and Portugal.

SOURCE: DAC Chairman's Report—July, 1967.

TABLE 5
EXTERNAL PUBLIC DEBT OUTSTANDING AND DEBT SERVICE PAYMENTS OF DEVELOPING COUNTRIES
(billions of U.S. Dollars)

Area	Debt Outstanding including Undisbursed December 31				Debt Outstanding June 30, 1966			Service Payments				
	1962	1963	1964	1965	Total	Dis- bursed	Undis- bursed	1962	1963	1964	1965	1966 ⁽¹⁾
48 Countries ⁽²⁾												
Latin America.....	8.57	9.46	10.00	11.32	11.46	9.46	2.00	1.49	1.40	1.68	1.78	1.85
South Asia.....	4.75	5.95	7.57	8.44	9.41	6.29	3.12	0.23	0.28	0.40	0.34	0.44
East Asia.....	0.93	1.29	1.40	1.74	1.95	1.09	0.86	0.07	0.07	0.08	0.13	0.19
Africa.....	1.93	1.91	2.34	2.75	2.92	2.09	0.83	0.11	0.14	0.14	0.16	0.19
Southern Europe and Middle East.....	3.83	4.27	4.81	6.07	6.02	4.15	1.87	0.40	0.44	0.54	0.55	0.63
Total.....	20.01	22.88	26.12	30.32	31.76	23.08	8.68	2.30	2.33	2.84	2.96	3.30
95 Countries												
Total.....	25.23	29.16	33.77	39.32	41.10	n.a.	n.a.	2.71	2.75	3.32	3.51	3.96

n.a.—not available.

⁽¹⁾Projected.

⁽²⁾The 48 Countries are as follows:

Latin America—Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Uruguay, Venezuela.

South Asia—Ceylon, India, Pakistan.

East Asia—China, Korea, Malaysia, Philippines, Singapore, Thailand.

Africa—Botswana, Ethiopia, Kenya, Malawi, Morocco, Nigeria, Rhodesia, Sudan, Swaziland, Tanzania, Uganda, Zambia.

Southern Europe and Middle East—Cyprus, Greece, Iran, Israel, Malta, Spain, Turkey, Yugoslavia.

SOURCE: World Bank Annual Report 1966-67.

TABLE 6. (a)
THE FLOW OF FINANCIAL RESOURCES TO LESS-DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES, 1961
Million U.S. Dollars

	Australia	Austria	Belgium	Canada	Denmark	France	Germany	Italy	Japan	Nether-lands	Norway	Portugal	Sweden	United Kingdom	United States	Total
Total Official and Private																
Total Official, net...	118.8	21.3	164.3	141.8	31.8	1,331.5	707.3	241.8	289.8	117.6	23.0	61.9	67.2	915.9	4,770	9,051.0
Total Private, net...	(104.0)	14.6	71.3	127.7	10.6	831.2	423.2	54.1	115.7	48.4	17.1	...	32.8	433.4	3,445	5,351.0
	(14.8)	6.7	93.0	14.1	21.2	550.3	264.1	187.7	174.1	69.2	5.9	...	34.4	422.5	1,325	3,203.0
Total Official Bilateral, net.....	93.0	9.9	69.3	111.3	2.2	810.4	413.5	59.5	106.2	33.0	2.8	61.9	13.7	447.7	3,241	5,475.4
Grants and grant-like contributions.....	93.0	1.7	66.4	64.2	3.0	644.7	155.6	20.7	63.7	13.1	2.5	7.5	9.6	235.4	2,485	3,871.1
Government long-term capital, net.....	—	8.2	2.9	47.1	-0.8	165.7	257.9	38.8	37.5	19.9	0.3	54.4	4.1	212.3	756	1,604.3
Total Official Multilateral, net.....	11.0	4.7	2.0	16.4	8.4	20.8	9.7	-5.4	9.5	15.4	14.3	*	19.1	45.7	204	375.6
Private Investment and Lending, net...	(13.4)	1.0	49.6	13.2	1.0	361.1	162.3	62.0	38.4	48.4	1.5	...	15.0	278.9	1,277	2,325.8
Private Export Credits, net.....	(1.4)	5.7	43.4	0.9	20.2	186.2	121.8	125.7	135.7	20.8	4.4	—	19.4	143.6	48	877.2
Over 1 to and including 5 years..	(-0.2)	4.9	35.8	0.9	11.2	75.2	4.8	91.8	46.1	-5.9	0.3	—	7.8	39.7	37	347.9
Over 5 years.....	(1.6)	0.8	(7.6)	—	9.0	111.0	117.0	33.9	89.6	26.7	4.1	—	12.1	103.9	12	529.3

TABLE 6 (b)
THE FLOW OF FINANCIAL RESOURCES TO LESS-DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES, 1965
Million U.S. Dollars

	Australia	Austria	Belgium	Canada	Denmark	France	Germany	Italy	Japan	Nether- lands	Norway	Portugal	Sweden	United Kingdom	United States	Total
Total Official and Private net.....	(136.9)	47.3	221.1	169.3	15.1	1,319.9	726.8	270.5	485.5	229.2	38.4	30.5	72.7	997.7	5,499.6	10,260.6
Total Official, net...	33.8	101.6	124.3	124.3	12.9	752.2	471.6	92.7	243.7	60.0	11.8	21.2	38.1	480.6	2,626.8	6,192.9
Total Private, net...	(15.3)	13.5	119.5	45.0	2.2	567.7	255.2	177.8	241.8	169.2	26.6	9.3	34.6	517.1	1,872.8	4,067.7
Total Official Bilat- eral, net.....	109.3	31.2	93.8	95.9	4.6	724.5	432.2	53.5	226.3	47.1	3.7	21.2	17.0	427.7	3,462.7	5,750.7
Grants and grant- like contribu- tions.....	109.3	2.6	90.6	67.4	3.6	614.7	175.8	25.5	82.2	14.6	3.2	7.8	12.6	260.2	2,299.9	3,770.0
Government long- term capital, net	—	28.6	3.2	28.5	1.0	106.8	256.4	28.0	144.1	32.5	0.5	13.4	4.4	167.5	1,162.8	1,980.7
Total Official Multi- lateral, net.....	12.3	2.6	7.8	28.1	8.3	27.7	39.4	39.2	17.4	12.9	8.1	*	21.1	52.9	164.1	442.2
Private Investment and Lending, net...	(13.6)	3.8	59.8	54.9	0.5	400.0	196.8	77.6	87.1	125.7	2.7	9.3	30.6	409.8	1,880.2	3,332.5
Private Export Credits, net...	(1.7)	9.7	59.7	-9.9	1.7	167.7	58.4	100.2	154.7	43.5	23.9	—	4.0	107.3	12.6	735.3
Over 1 to and in- cluding 5 years...	(0.3)	7.1	12.9	-9.9	1.1	44.7	8.5	113.5	71.9	31.5	4.0	—	-0.9	-26.9	24.5	282.3
Over 5 years.....	(1.4)	2.6	46.8	—	0.6	123.0	49.9	-13.3	82.8	12.0	19.9	—	4.9	134.2	-11.8	453.0

TABLE 6 (c)
THE FLOW OF FINANCIAL RESOURCES TO LESS-DEVELOPED COUNTRIES AND MULTILATERAL AGENCIES, 1966
Million U.S. Dollars

	Australia	Austria	Belgium	Canada	Denmark	France	Germany	Italy	Japan	Nether- lands	Norway	Portugal	Sweden	United Kingdom	United States	Total
Total Official and Private, net.....	(136.5)	49.7	178.3	263.5	(21.2)	1,292.1	738.2	631.1	538.8	226.1	17.4	39.8	107.5	(973.4)	4,613.0	9,829.7
Total Official, net.....	128.8	36.9	81.4	208.5	26.1	723.4	490.0	121.4	285.3	65.9	13.4	24.5	56.4	501.4	3,631.0	6,397.5
Total Private, net.....	(7.7)	12.8	96.9	55.0	(-2.0)	568.7	248.2	509.7	253.5	160.2	4.0	15.4	51.1	(472.0)	(979.0)	3,432.2
Total Official Bilat- eral, net.....	114.8	30.3	67.3	180.5	10.5	696.4	453.7	31.0	234.7	50.5	5.2	22.4	23.8	445.8	3,548.0	5,914.9
Grants and grant- like contribu- tions.....	114.8	3.6	65.9	154.6	5.5	613.3	112.7	19.4	104.7	22.0	4.7	7.6	20.2	245.4	2,258.0	3,752.3
Government long- term capital, net	--	26.7	1.4	25.9	5.0	83.1	341.0	11.6	130.0	28.5	0.5	14.8	3.6	200.4	1,200.0	2,162.5
Total Official Multi- lateral, net.....	14.0	6.6	14.1	28.0	15.6	27.0	36.4	90.4	50.7	15.4	8.2	2.1	32.6	55.6	86.0	482.6
Private Investment and Lending, net..	(7.2)	2.2	70.3	49.0	(1.0)	384.5	149.1	(34.9)	96.7	139.6	0.9	15.4	36.1	372.0	(911.5)	2,300.4
Private Export Credits, net.....	(0.5)	10.6(2)	26.6	6.0	-3.0	204.2	99.1	424.8	156.8	20.6	3.0	--	15.0	(100.0)	67.5	1,131.7
Over 1 to and in- cluding 5 years ..	(1.0)	(5.5)	19.4	6.0	-3.4	24.5	1.7	324.2	14.1	...	-1.1	--	0.8	...	42.6	(465.9)
Over 5 years.....	(-0.5)	(5.1)	7.2	--	0.4	179.7	97.4	100.6	142.7	...	4.2	--	14.2	...	24.9	(665.9)

Standing Committee

TABLE 7
BILATERAL CONTRIBUTIONS BY MAJOR PROGRAMME CATEGORIES, 1965, 1966
(Commitments)

	1965	1966
	%	%
Technical Assistance.....	17.7	18.1
Non-Project Assistance.....	41.8	49.7
Capital Project Assistance.....	21.3	16.8
Official Expert Credits.....	10.8	11.0
Consolidation and refinancing loans.....	4.3	1.5
Other.....	4.1	2.9

SOURCE: DAC Chairman's Report—July, 1967.

TABLE 8
USES OF BILATERAL CAPITAL PROJECT COMMITMENTS, 1962-1966

	1962	1963	1964	1965	1966
	(Millions of dollars)				
Capital Project Financing of which:.....	2,380	2,356	2,428	2,099	2,067
	%	%	%	%	%
Agriculture.....	10.2	10.6	10.6	8.6	12.0
Economic Infrastructure.....	41.0	46.9	43.7	42.7	45.1
Industry and Mining.....	27.0	23.4	24.2	29.4	28.0
Social and Administrative Infrastructure.....	21.8	16.8	17.2	14.3	10.7
Other and unallocated.....	—	2.3	4.7	5.1	4.2

SOURCE: DAC Chairman's Report—July, 1967.

TABLE 9

GEOGRAPHICAL DISTRIBUTION OF NET OFFICIAL FINANCIAL FLOWS TO LESS-DEVELOPED COUNTRIES FROM
OECD/DAC COUNTRIES AND MULTILATERAL AGENCIES, 1960-1965

Recipient Countries	Net Official Financial Flows		Popula- tion	Aid per Capita
	Average 1960-1964	1965	1965	1965
	Million U.S. \$		Million	U.S. dollars
TOTAL RECIPIENT COUNTRIES.....	5,706	6,668	1,688.2	4.2
ASIA.....	2,493	3,189	965.3	3.3
India ⁽¹⁾	872	1,288	483.0	2.7
Pakistan ⁽¹⁾	389	524	102.9	5.1
South Vietnam ⁽²⁾	206	316	16.1	19.6
South Korea.....	230	220	28.4	7.9
Israel.....	112	153	2.6	58.8
Philippines.....	44	109	32.3	3.4
Jordan.....	84	69	2.0	34.5
Laos ⁽²⁾	39	68	2.0	34.2
China, Taiwan.....	85	67	12.4	5.4
Afghanistan.....	31	53	15.1	3.5
Thailand.....	45	47	30.6	1.5
Indonesia.....	108	45	104.5	0.4
Malaysia.....	21	35	8.0	4.3
South Arabia Federation.....	12	26	1.4	18.6
Iran.....	52	23	23.4	1.0
Nepal.....	13	18	10.1	1.8
Burma.....	33	15	24.7	0.6
Ceylon.....	16	15	11.2	1.4
Cambodia ⁽²⁾	22	11	6.3	1.8
Iraq.....	5	8	8.3	0.9
Syria.....	13	4	5.3	0.7
Other.....	66	75	..	..
AFRICA.....	1,668	1,715	286.5	6.0
African and Malagasy States ⁽³⁾	374 ⁽⁶⁾	391	37.9	10.3
Congo (Kinshasa).....	103	164	15.6	10.5
Algeria.....	350	140	11.3	12.4
United Arab Republic.....	194	119	29.6	4.0
Morocco ⁽⁴⁾	110	113	13.3	8.5
Nigeria.....	35	94	57.5	1.6
Tunisia ⁽⁴⁾	84	92	4.7	19.6
French Overseas Territories and Departments.....	42	73	0.7	103.7
Kenya ⁽⁵⁾	49	71	9.4	7.6
Ghana.....	14	60	7.7	7.8
Tanzania ⁽⁶⁾	36	39	10.2	3.8
Liberia.....	33	36	1.1	32.8
Malawi.....	15	34	4.0	8.4
Sudan.....	25	30	13.5	2.2
Somalia.....	24	29	2.6	11.0
Ethiopia.....	24	27	22.6	1.2
Uganda ⁽⁵⁾	24	24	7.6	3.2
Guinea ⁽⁶⁾	24	3.5	6.7
Portuguese Overseas Provinces.....	45	23	13.7	1.7
Sierra Leone.....	9	19	2.6	7.2
Libya.....	30	6	1.77	3.4
Other.....	48	109	..	..

TABLE 9—Concluded

Recipient Countries	Net Official Financial Flows		Popula- tion	Aid per Capita
	Average 1960-1964	1965	1965	1965
	Million U.S. \$		Million	U.S. dollars
AMERICA.....	799	998	239.6	4.2
Brazil.....	186	221	81.3	2.7
French Overseas Territories and Departments.....	72	122	0.7	174.6
Chile.....	112	120	8.6	14.0
Dominican Republic.....	18	79	3.6	21.9
Peru.....	11	70	11.7	6.0
Mexico.....	53	66	40.9	1.6
Colombia.....	68	61	17.9	3.4
Bolivia.....	33	34	3.7	9.2
Panama.....	14	33	1.2	27.7
Venezuela.....	19	32	8.7	3.7
Costa Rica.....	11	25	1.4	18.0
Ecuador.....	16	21	5.1	4.1
Surinam.....	10	16	0.3	54.3
Guatemala.....	11	12	4.4	2.8
West Indies (British).....	14	12	0.7	15.7
Argentina.....	50	-45	22.4	-2.0
Other.....	101	119	..	..
EUROPE.....	446	436	92.0	4.7
Turkey.....	184	185	31.6	5.9
Yugoslavia.....	143	111	19.5	5.7
Spain.....	40	49	31.6	1.6
Greece.....	47	50	8.6	5.8
Other.....	32	41	..	..
OCEANIA.....	89	138	4.8	28.8
UNALLOCATED.....	206	190	..	..

*Aid per capita is calculated from the unrounded figures.

⁽¹⁾Including disbursements received for the Indus Basin Development Fund.

⁽²⁾Including Secretariat estimates for the distribution of French grants to South Vietnam, Laos and Cambodia, which were not provided separately in 1961 and 1962.

⁽³⁾This heading includes the following states: Cameroon, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Senegal, Togo, Upper Volta.

⁽⁴⁾Including Secretariat estimates for the distribution of French grants between Morocco and Tunisia in 1960.

⁽⁵⁾Including Secretariat estimates for the distribution of net flows to the East African Common Services Organisation between Kenya, Tanzania and Uganda.

⁽⁶⁾As French disbursements to Guinea are not available separately for the period 1960-1964, all flows to Guinea for this period have been included under African and Malagasy States.

SOURCE: DAC Flow of Resources Study-April, 1967.

TABLE 10

REAL GROSS DOMESTIC PRODUCT IN DEVELOPING COUNTRIES—REGIONAL SUMMARY
Average Annual Rates of Growth (%)

	1950-60	1950-55	1955-60	1960-65
Africa				
GDP.....	4.0	3.9	4.2	3.6
Population.....	2.1	2.1	2.2	2.2
GDP per capita.....	1.9	1.8	2.0	1.4
South Asia⁽¹⁾				
GDP.....	3.6	3.3	4.0	3.2
Population.....	1.9	1.7	2.1	2.4
GDP per Capita.....	1.7	1.6	1.9	0.8
East Asia ⁽²⁾				
GDP.....	5.2	6.4	4.1	5.0
Population.....	2.5	2.5	2.6	2.6
GDP per capita.....	2.6	3.8	1.5	2.3
Southern Europe				
GDP.....	5.1	5.7	4.6	7.2
Population.....	1.4	1.4	1.4	1.4
GDP per capita.....	3.6	4.2	3.2	5.7
Latin America				
GDP.....	4.9	5.1	4.8	4.7
Population.....	2.8	2.8	2.8	2.9
GDP per capita.....	2.0	2.2	1.9	1.7
Middle East⁽³⁾				
GDP.....	5.6	5.8	5.3	7.2
Population.....	2.8	2.7	2.8	3.2
GDP per capita.....	2.7	3.0	2.4	3.9
All Developing Countries				
GDP.....	4.6	4.8	4.5	4.8
Population.....	2.1	2.0	2.3	2.4
GDP per capita.....	2.4	2.7	2.2	2.3

⁽¹⁾Burma, Ceylon, India, Pakistan.

⁽²⁾Republic of China, Indonesia, Korea, Malaysia, Philippines, Thailand and South Viet-Nam.

⁽³⁾Excluding U.A.R. which is included in Africa.

SOURCE: World Bank Annual Report—1966-67.



Second Session—Twenty-seventh Parliament

1967

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
EXTERNAL RELATIONS

LIBRARY
UNIVERSITY OF TORONTO

The Honourable G. S. THORVALDSON, *Chairman*

No. 2

First Proceedings on the Report of the Department of External Affairs
for the year ended 31st December, 1966, with particular reference to
that portion which deals with External Aid.

THURSDAY, DECEMBER 14th, 1967

WITNESS:

External Aid Office: Maurice F. Strong, Director-General.

APPENDIX "B"

Statement by Mr. Strong, and TABLES 11 and 12.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable Senators

Benidickson,	Macdonald (<i>Brantford</i>),
Blois,	MacKenzie,
Boucher,	Macnaughton,
Cameron,	O'Leary (<i>Carleton</i>),
Cook,	Pouliot,
Croll,	Quart,
Farris,	Rattenbury,
Fergusson,	Roebuck,
Fournier (<i>De Lanaudière</i>),	Savoie,
Gouin,	Smith (<i>Queens-Shelburne</i>),
Grosart,	Thorvaldson,
Haig,	Vaillancourt,
Hayden,	Vien,
Inman,	Yuzyk—(28).

Ex officio members: Connolly (*Ottawa West*) and Flynn.

(Quorum 7)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 2nd, 1967:

"With leave of the Senate,

The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Committee on External Relations be authorized to examine and report upon the Report of the Department of External Affairs for the year ended 31st December, 1966, tabled in the Senate on 22nd March, 1967, with particular reference to that portion which deals with External Aid; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MACNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, December 14th, 1967.

(2)

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 11:00 a.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Blois, Cameron, Cook, Croll, Fergusson, Gouin, Grosart, Inman, MacKenzie, Macnaughton, Quart, Rattenbury and Roebuck—(14).

Present, but not of the Committee: The Honourable Senators Aird, Desureault, Fournier (*Madawaska-Restigouche*), Hays and Leonard—(5).

The following witness was heard: *External Aid Office:* Maurice F. Strong, Director-General.

It was agreed to print as Appendix "B", a statement by Mr. Strong and Tables 11 and 12, as supplied by the External Aid Office.

The Chairman informed the Committee that Mr. Strong would again be the witness at the next meeting of the Committee, to take place after the Christmas recess.

The Chairman, on behalf of the Committee, thanked Mr. Strong for appearing before it.

At 12:15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

Ottawa, Thursday, December 14, 1967

The Standing Committee on External Relations, to which was referred the report of the Department of External Affairs for the year ended December 31, 1966, with particular reference to that portion thereof which deals with external aid, met this day at 11 a.m.

Senator Gunnar S. Thorvaldson (Chairman) in the Chair.

The Chairman: Honourable senators, we have a quorum and can proceed now. We do not require the usual motion to print the proceedings, because last week's motion in that regard is sufficient for this meeting.

On Thursday last I introduced to you Mr. Maurice F. Strong, Director General of the External Aid Office. He is here to carry on with his submissions to this committee.

At the last meeting Mr. Strong made a general statement in regard to the situation of all countries, both donor and donee countries, regarding external aid. After that submission there were several questions and questioners and we had not completed the questioning in regard to that submission. Consequently, it was decided that at this meeting we would proceed with questions. Senator Macnaughton is the first on the list.

Senator Macnaughton: Mr. Chairman, I asked a general question. If I could ask a second question which really fits in with the first, it might help our star witness.

It is obvious that Canada is an aid-giving country. I see that, in the seventeen years, \$910 million has been committed by Canada, to 18 countries. That was in development funds, technical assistance, food and aid. Most of it went to the Commonwealth countries—India, \$454 million; Ceylon, \$40 million, Malaysia, \$90 million. The question is, what is the present use of the Colombo Plan organization, since the work of this aid is bilateral. I think that ties in with the first general question.

Mr. Maurice F. Strong, Director General, External Aid Office: Mr. Chairman and honourable senators, I think it should be first understood, in reply to Senator Macnaughton's question, that the Colombo Plan bureau is really a very small bureau. It does itself discharge a very limited function and that function is primarily one of intercommunication, facilitating communication amongst the various donors and the various recipients, and arranging the once a year Colombo Plan meeting which in itself is a very valuable occasion for donors and recipients to get together. The total staff of the Colombo Plan's co-ordination agency in Colombo is four or five people. It is a very fine agency and Canada's contribution to the upkeep of this agency is just \$4,000 or \$5,000 a year, or something like that. It has a limited role because of the nature of the program, which is a bilateral program.

But in relation to the cost of performing that limited role, I think it is of value to us and to the other countries involved.

The Chairman: Is there anything further, Senator Macnaughton?

Senator Macnaughton: There is just the first question, which is really very general and opens the door for Mr. Strong. How effective is our external aid?

The Chairman: Yes. I think that will probably come in Mr. Strong's general submission for today. Senator Grosart, you indicated that you had some questions, and I recognize you now.

Senator Grosart: Thank you, Mr. Chairman. I have some questions to Mr. Strong, arising out of these very comprehensive tables he gave us last week. The first I would like to be clear in my mind is in regard to Table 1, that the total aid figure of \$6.3 million is a net figure, in the sense in which I meant, and where you said, Mr. Strong, it is a net figure. Perhaps I could clarify my ques-

tion by referring to Table 5 and asking you if it does or does not include the \$3.96 billion—the \$4 billion—total service payments.

The Chairman: Before you reply, Mr. Strong, I have just sent out for additional copies of the printed report of our proceedings last week, which include those tables. They will be here soon for the use of senators who may not have their copies with them.

Mr. Strong: These figures do include the figures set out in Table 5. The difference arises in the fact that the figure in Table 1—and it is something of a coincidence—and the net flow of resources, which is arrived at by taking the total official flow, plus the flow of private capital, and then deducting the debt servicing payments both happen to come out at a figure a little over \$6 billion. It is not precisely the figure given on this table, but it is almost the same, it is about \$6.3 billion—which is the figure we call the net flow of resources to the developing countries.

Table 1 is only the official flow that flows from governments and it does not include private investment. So it is a bit confusing, I must admit.

Senator Grosart: I will come to the difference between private and official in a moment. My next question refers to Table 2. Again, is this flow of financial resources net as a percentage of national income? This is the OECD, 1 per cent.

We look at the figures, we find that Canada does not look very good. We are 0.66, against France 1.7, Netherlands, 1.4, Portugal, 1.40. Thus the other countries are away above the international recommendation. Yet if we look at other tables, and I will not detail them, we find the reason is that these are flows of capital to former colonies. They are nothing more than paying back some of the money they took out of them over the years.

My question is, does it make sense to keep on making these comparisons?

Mr. Strong: Senator Grosart, I think Canada has contended for some time that the straight statistical comparison of figures does not in fact reflect a true assessment of either the proper levels or the value of the aid. It is true that some of the countries, particularly European countries, do direct the majority of

their aid to countries that were former colonies of theirs. However, I do not think it would be fair to suggest that this does not represent true development aid, in a great many instances. You might question the reasons for doing it, but the DAC figures are not concerned with motivation but rather with the actual levels themselves.

Senator Grosart: I am suggesting, Mr. Strong, that we should be concerned with motivations. I do not like an unfavourable comparison of Canada to Portugal, for instance, which is pouring money in to keep certain colonies in subjection against the will of the people; to be faced with this type of thing for which I do not blame you because I know where it comes from, is upsetting. It says that Portugal contributes 1.4 per cent of its national income to international aid and Canada only .66 per cent. I think it is time that we protested and said that we do not want anything to do with this kind of comparison. We do not want to be a .6 country, if Portugal is a 1.4 country. Anyone can read these figures in the *New York Times* or in the *Christian Science Monitor* and other papers. We read over and over again that Canada is not measuring up, and I do not like these kinds of comparisons.

In the second place, if we look at the breakdown of official plus non-official plus private flow, we find that in many of these countries, French countries, it is nothing but straight commercial investment.

The Chairman: What is your question, Senator Grosart? Can you frame these in questions?

Senator Grosart: I think I have asked questions. Nevertheless, I will ask Mr. Strong now if he thinks we should not protest—as I think I did ask—that we should not protest the continued use of these figures being released by O.E.C.D. and by DAC, as they are being released, showing Canada in an unfavourable light. Should we not do something about it?

Mr. Strong: Senator, I think I can sympathize with many of the very good points you have made. I think the Canadian position has been that we do disagree with many of the factors that enter into the compiling of these figures, and we have in the appropriate international forums expressed these views. But when you are arriving at internationally accepted methods of doing these things, it is

just a constant push trying to get them into the form that we would agree with fully. I think in all fairness that it should also be recognized that there are some factors that others wish to have reflected in these figures which would pull a little bit in the other direction. It is not a one-way street.

On balance, I think the figures do not truly reflect Canada's contribution to aid. They do not sufficiently take into account the motivational and what you might call the qualitative factors of aid. For example, they will give the same credit to a 50-year loan at zero interest as they will to a 15-year loan at 5 per cent interest. This sort of thing obviously leads to inequities.

However, it should be pointed out that there has been a strong movement on the part of some countries, particularly countries like France, to come up with a different approach to these figures which would take account of a country's ability to pay, the same as we do in our own tax programs. This has been suggested by a number of nations, and the essential principle here is that those countries that have the higher G.N.P.'s, the greater ability to help, should in fact be subjected to a different standard and that the one per cent should not apply across the board to all countries regardless of their ability to pay. So this is a point which, of course, would work somewhat against you.

Senator MacKenzie: Are these contributions not voluntary?

Mr. Strong: Indeed.

Senator MacKenzie: France's proposal, to all intents, is an international tax arrangement. That is what it amounts to.

Mr. Strong: It is a proposal that would incorporate this into international aid...

Senator MacKenzie: It is the international equivalent of a tax authority.

Mr. Strong: Yes.

Senator MacKenzie: I do not like it.

Senator Grosart: There are many questions arising out of these figures, but I will merely ask one more, Mr. Strong, and it arises out of Table 9. If you look at the right-hand column which gives the aid per capita to various developing countries in terms of U.S. dollars, you will find that aid per capita to the British West Indies is 2.8. Compared to that, aid

to the French Overseas Territories and Departments is 174.6. And there are other figures similarly much higher than the aid that is being given to the British Caribbean countries. Do you believe, Mr. Strong, that Canada has or has not an obligation to greatly increase its per capita contribution to the development of the British Caribbean countries under our aid program?

Mr. Strong: Well, senator, I think the fact that the Government does recognize this as a special area of interest is reflected in the fact that our aid to the Caribbean in the last few years has grown at a faster rate than to any other area; in fact today our aid to the Caribbean countries, Canadian aid as distinct from all aid as referred to in Table 9 which covers all O.E.C.D. countries, Canadian Caribbean aid has now reached a level of over \$4 per capita of the Commonwealth Caribbean population. This compares with Canadian aid averaging something like 17 cents per capita in other areas.

So you can see that by a very wide margin the Commonwealth Caribbean receives an extremely high per capita percentage of Canadian aid funds.

The Chairman: Thank you, Senator Grosart. Mr. Strong, I suggest now that you might wish to proceed with your further submission as planned for today.

Senator Roebuck: Just before we start the formal submission, may I propound a question for this witness?

The Chairman: Yes, Senator Roebuck.

Senator Roebuck: In the press, and I think in the minds of a good many of us, certainly in my mind, is that the purpose of this foreign aid is to assist the very poor people of these eastern countries. We are not particularly interested in the landlords or in big business in those countries. We are interested in seeing that they have enough to eat and that their children have enough to grow and develop on and that sort of thing.

I did see one film one time that illustrated what we were doing for such things as eye infection and elephantiasis, and so on, for these poor people. And I so highly approved that aid for these large numbers of people who were in absolute misery and whom our medical services were rescuing.

That is the kind of thing for which I as a taxpayer am ready to contribute. On the other hand, I am not ready to contribute to

just the owning classes of these countries, and I am under an impression that a lot of our money just goes to make the rich richer in these places and does not get down to the poor at all. I would like to know what Mr. Strong has to say on that.

Mr. Strong: I believe that this is of course a fairly general feeling among many critics of aid programs, and in the early days of aid, post World War II days, this was perhaps very sadly true in a number of instances. I do not think it was ever true of Canadian aid—certainly to any noticeable extent—because of the way in which Canadian aid has been handled. It has been true of the massive aid programs perhaps of some other countries, but this I think came—and most of the instances one uses to illustrate this point came—at a time when there were vast sums of money being devoted to programs and where there were very few really experienced people in an administrative capacity in either donor or recipient countries to administer this money properly.

In the last several years very experienced and sophisticated aid administrative apparatus have grown up internationally, and the number of these instances has been very much reduced because it is quite clear that everybody who administers aid programs and those who support them in the public share the view that you have expressed, that the purpose of aid programs is to help those who are clearly less privileged. The entire administrative machine is directed to insure that the kind of incidents that did occasionally happen in the early days will not recur.

Senator Roebuck: I am not suggesting any graft or stealing of money. I do not mean that at all. We have probably overcome most of that. I am talking about the general effect, the final effect of the use of our money in these countries, whether it gets down to the people themselves or is just gobbled up by the owning classes.

Mr. Strong: I think it is true, of course, to the extent that aid contributes to the general improvement of the economy of any country, that the distribution of that improvement over the population of the country is a very difficult thing to control. I suppose that classic economic theory which is very hard to avoid in any of these places holds, that the people who are in the entrepreneurial section of the economy do proportionately better.

This is not to say that the aid goes directly to them, but because the economy of the country itself is a great deal stronger and healthier, there are probably more opportunities for these people to enrich themselves. Therefore there is a growth in the number of rich people and a growth in the wealth available means that there is also more opportunity available to the masses of the people.

Senator Cameron: I have a rather general statement and question. If you look at the overall picture of developing countries you find first of all that there is about one billion out of a total $3\frac{1}{2}$ billion people in developing countries. Looking at the developed countries you find that the per capita income shows an annual increase of about \$60, while in the developing countries it only shows \$2. Looking at it from the trade point of view the average annual rate of exports of developed countries is seven per cent while in developing countries it is only four per cent. This applies throughout the whole picture of the trade situation. The developing countries seem to be going backwards at a terrific rate while the developed countries are expanding. This would certainly be a factor, I think, in our attitude towards the aid picture, and I wonder what we can do about it. This is a very depressing picture, and this is what I might call a shotgun blast.

Mr. Strong: I think you are quite right; you may call it a shotgun blast. But you are focusing on a very real problem. Mind you, I don't think it is a slipping back of the less developed countries, but a slower rate of progress.

Senator Cameron: But the gap is getting wider.

Mr. Strong: Yes, the gap is getting wider.

Senator MacKenzie: And the population is getting bigger. Mr. Strong, it may not be possible for you to answer the two questions I want to put to you completely or at this time. Nevertheless, these questions are important. I know from some people who have worked under External Aid that the red tape and the general routines that External Aid has to work through to get action is very frustrating. It makes the problem unnecessarily difficult for External Aid officers themselves and more particularly for those in the field. The first question I want to ask you is whether it would not be possible for External Aid to be set up as a sort of separate and

special government agency with much more flexibility in the administration of its own affairs.

The Chairman: Are you referring to the Canadian position in Canada?

Senator MacKenzie: Yes.

The Chairman: Mr. Strong, will you be covering that phase in your submission or would you like to answer Senator MacKenzie's question now?

Mr. Strong: I will not be dealing directly with this.

Senator MacKenzie: I know this is rather a delicate matter and you may not want to put it on record. But if there are ways in which this committee could help you and the members of your organization to overcome some of these stupid, red tape routine restrictions, I think it would make sense.

Mr. Strong: I might say that I obviously cannot reply to that portion of your question which suggests that we might set up a separate agency. This is a policy matter with which ministers have to deal. But as to the problem itself, I would have to confess that this is in fact one of the principal problems we have today and it is one of the principal problems I am experiencing in my attempt to make Canada's External Aid program the best in the world.

Senator MacKenzie: Some of the instances are so absurd it is almost unbelievable. The other question has to do with the institution known as the Coady Institute related to St. Francis Xavier University. Apparently by bringing these people from all over the developing countries for a year's special training they seem to be able to contribute more than anything else we are doing. Now to date it has not been possible to assist them in expanding their program in the physical sense of the word and I was wondering whether part of the \$5 million that Mr. Martin suggested in Windsor was being made available to include assistance to private organizations and for capital development would be available to help in this kind of area.

Mr. Strong: This specific question on the \$5 million I will be dealing with in my remarks on the Canadian program. So far as the Coady Institute is concerned I certainly agree with the senator's views that this is a fine

institution, and we have a close relationship with it. However, we do not have any method whereby we can provide capital funds to such an institution.

Senator MacKenzie: It should be twice the size and it could do twice the work. The provincial government does not feel it comes within its jurisdiction and cannot help it in any way.

Mr. Strong: It is not within the power of the External Aid Office to provide funds for Canadian educational institutions.

Senator MacKenzie: And you don't know whether the \$5 million could be tapped for that?

Mr. Strong: I can say it is not provided for that. It is to provide encouragement to voluntary organizations to improve their own external aid program and to provide external assistance. It is not to assist institutions, educational or otherwise in any capital way.

Senator Cameron: Mr. Chairman, this question is also rather delicate and it relates somewhat to Senator MacKenzie's question. I get quite a number of applications from people, particularly teachers, who want to take specialized training in this country. The rule generally is that such an applicant must have the approval of the Department of Education of the country concerned. I am thinking at the moment of an application from Algeria which has been sitting on my desk for some time. Apparently, however, in those countries favouritism and cliques and so on are even more prevalent than in our own country. Have we any check among our own officers in Nigeria, for example, or any other country for that matter on how these selections are made? I realize that the logical machinery is to use the Department of Education or the Department of Trade and Commerce of the country concerned, but have we any check on how the selections are made by these countries?

Mr. Strong: Yes, indeed, the selections are made under a procedure we agree with. Both sides have to agree as to the way in which it is done. However, quite clearly the final decision as to who is going to be nominated by them lies in their hands, and the final decision as to who will be accepted by us is in our hands. I think, for reasons which will be understandable to all honourable senators here, it will be difficult for us to intervene

directly in this process of selection. I think, despite the problems we frequently hear about, and I am sure there is some validity in some instances for the comment made in this area, nevertheless it is still true that on the average the performance of students who come here under External Aid programs from abroad is really superior to that of the average Canadian students. This suggests that whatever else may enter into their selection, a very high regard is paid to their academic qualifications.

Senator Cameron: That is the answer I was hoping for from your experience of the plan.

The Chairman: Senator Aird.

Senator Aird: Mr. Chairman, not being a member of the committee, I am grateful for the opportunity to ask a question. I would come back to Senator Cameron's inquiry.

It seems that the real issue here is the spreading gap—the developed countries going ahead at a rate of about 3 per cent per annum and the developing countries at 1 per cent per annum. My question is, in respect of this situation, do you feel optimistic about the whole operation, that Canada, we hope, will be increasing its external aid—do you have a feeling of optimism that this gap can be narrowed, or is it going to continue running away from us in spite of our best efforts, which must be minimal in the overall show?

Mr. Strong: My answer to that, Senator Aird, would be really three-fold. First, we have to recognize that, even with the best performance, the gap is going to continue to be very wide indeed. Even the most optimistic predictions indicate that, from the very small base that they now have, even by the end of the century, with the best performance, these poor countries are going to be up to levels of income of between \$200 and \$300 per year per capita,—which certainly is an optimistic target. That does not suggest that they are going to come anywhere near us, so this spread is going to be with us, on an overall basis, for several generations and beyond.

As to whether I am optimistic about the progress that can be made and whether the problem can be solved, I would say yes, in the sense that I believe, and all the evidence I have seen confirms my belief, that it is in fact feasible, for the first time in history, to

solve this problem. We have the resources, we have the technology and we have the financial capacity, without really requiring any significant sacrifice in our own standard of living. If we devoted a much smaller percentage of resources to this development race, if you want to call it that, a much smaller percentage than we have always been prepared to devote to military wars, there is no question that the problem can be solved.

Where I am not so optimistic and where I think the real test facing us lies, is in whether or not we have the will to do it. I think there has been a real waning of will. This is the area in which the real crisis lies and this is the area in which it is harder to be optimistic.

Senator Aird: As a supplementary question, the "we" you speak of is the world, the western world?

Mr. Strong: The wealthier world.

The Chairman: If the chairman might refer to something in the *Globe and Mail* on this point, which is rather part of this pessimism Mr. Strong has been talking about—apparently Congress in the United States arrived at a decision yesterday in regard to their contribution for the current or next year. Did you see that, or are you up to date on that?

Mr. Strong: Yes.

The Chairman: It was in the *Globe and Mail* this morning, reporting a considerable reduction in the United States contribution to external aid.

Senator MacKenzie: On the same lines, are you also optimistic about the intelligent and practical measures of the underdeveloped countries in solving their problem? This is basic, I think, apart from aid.

Mr. Strong: I think there is a much greater degree of realism than there has been in the immediate post-independence period. There was a euphoria that was generated, as honourable senators know, in many of those countries following on the new experience of independence itself. However, I think there has been a sobering process, where the leaders of those countries have had to concern themselves about their own economic and social problems much more realistically. If there is any plus at all in this declining flow of aid from the major countries like the

United States, it is probably in the fact that the very scarcity of aid has added to the necessity of those countries to become more responsible and more disciplined in their own development process.

I think it is true that they do not yet have standards that would be equivalent to our standards or it follows that there would not be this problem.

There has been this problem, but some countries have done very well, even those countries which are widely criticized, like India, for example. Today, India is giving top priority to those areas which, I think, the whole international development believes are fields that should be given top priority—to family planning and food and agriculture.

Senator MacKenzie: And sacred cows?

Mr. Strong: Even there, they are making considerable progress.

Senator MacKenzie: This is one of the basic problems, as you know.

Senator Croll: Would it be a great burden on us in the West if we cancelled out the debt of the developing countries?

Mr. Strong: It is very interesting that, even at this moment, there is an official of the World Bank in Ottawa discussing with us the possibility of rescheduling some of the Indian debt.

Senator Croll: I am not a candidate for the bank, but this occurs to me. I have not any idea how big the debt is, but I remember what you said on the last occasion—and it is I think in the \$4 billion area.

Mr. Strong: The figure of the debt, actually a debt servicing payment, is about \$3.3 billion a year. It is very close to that, within a hundred thousand either way, something of the order of \$3.3 or \$3.5 billion a year. This of course is a very large sum in itself and it is a large burden on the developing countries. It would represent a very major item on the part of the developed countries. It is certainly well within their capacity.

Senator Croll: Have you some idea of what that would mean to us, roughly?

Mr. Strong: I have just been told by Mr. Drake that in fact it is \$4 billion.

Senator Croll: All right, \$4 billion. What does it mean to us, roughly, in dollars, if we said "forget it"?

Mr. Strong: In the total Canadian aid, I frankly do not have this in my mind. It is fairly small for Canada. It would not be too difficult for Canada.

Senator Croll: It seems to be inconceivable for these people to carry that sort of aid, \$4 billion, in addition to whatever else they need. And the debt is increasing. We are only fooling; we are not giving aid. All we are doing is making an investment, on which they are paying interest.

Senator MacKenzie: There is more than that in it. The existence of this debt is policing the aid. It is one of the measures to ensure economy and efficiency, if you can. A hand-out is one thing.

Senator Croll: I am not talking about hand-outs. I am not talking about changing the method of giving it or organizing it and seeing that it is supplied. I am talking about the repayment. We have had the experience in our own country of what we did with the C.N.R. We have kept it in bondage all these years for debts which we should have forgotten a long time ago. I am raising the same question.

Mr. Strong: I think, senator, one of the factors which should be born in mind is that a good deal of this aid is private—privately contributed aid. When talking about aid flows and development assistance, we include private efforts. When talking about the debt figures, we also include private debts. These are in different categories.

In terms of official debts, it is being recognized very widely that the debt servicing burden that these countries have to bear is a very serious one. The total, the \$4 billion we talk about, in terms of debt service charges, is roughly slightly more than one-third of the gross flow of aid, including private aid.

Therefore you can see it is an extremely serious problem. The fact that most of these debts have been contracted in the last ten years, in many cases the onerous payments, in terms of capital repayments, are yet to be felt by these countries. You can see that this is a mounting problem, and one that just has to be faced. There is no question that there will need to be some mitigation of this debt burden on the part of the debtor countries.

Senator Grosart: We do give them money to pay us back some of the money we gave them?

Mr. Strong: Yes.

Senator Grosart: Which is the same as we do with the C.B.C.

The Chairman: Honourable senators, at this point, I think we might allow Mr. Strong to proceed with his submission in regard to the Canadian position on external aid.

Mr. Strong: Honourable senators, in the light of the fact that some of this has come out in response to questions, I will make my submission briefer than I otherwise would have done.

I point out that Canada's experience in the aid field really began in 1950 when we joined Britain, Australia, New Zealand, India, Pakistan and Ceylon in a discussion of ways to cope with the political, economic, and social problems confronting the newly independent nations of south and southeast Asia. Out of this, of course, came the Colombo Plan.

For a number of years Canada's sole contribution to development aid flowed through the Colombo Plan, and something over 50 per cent of our aid still finds its way through the auspices of the Colombo Plan.

Then, in 1958, at the time when the British West Indies Federation was mounted in an attempt to unify politically the Commonwealth territories in the Caribbean, we launched a program of assistance to the new federation. That federation, as you know, itself collapsed in 1962, but Canadian aid continued to the individual components of the federation. In fact, our aid to the Caribbean has grown very substantially since that time. I mentioned in response to one of the earlier questions that on a per capita basis today Canadian aid to the Caribbean is greater than it is to any other country that receives aid from us.

After broadening our program from the Colombo Plan area to the Caribbean, we then turned to Africa, and in 1960 we set up, after a Commonwealth Prime Ministers' Conference, a program known as the Special Commonwealth African Assistance Plan, or SCAAP in the terms of the bureaucracy. Through this plan we have provided assistance to the countries of Commonwealth Africa.

This was followed a year afterwards, in 1961, by a program of assistance to the countries of Francophone Africa, and it is peculiarly appropriate that we have both a French

and English program in Africa because it does enable us to express in that important area the duality of our own culture and heritage.

Incidentally, it is interesting to me to see the number of requests that we are getting from English-speaking Commonwealth countries in Africa which wish to have their people learn French because their neighbours are French speaking. And, we are getting requests from the French-speaking countries for English teachers, because they want to learn English.

So, we are finding that in practice this dual language system we have in Canada is a very important asset, and it enables us to play an important role in Africa.

Senator Fergusson: It seems to me from this that most of our projects in Africa are concerned with education.

Mr. Strong: Yes, but we do have allocations for capital projects. There are some capital projects underway. In fact, as you know, we have not had the close ties with these countries which are part of the French colonial empire that we had with some of the Commonwealth countries, and it has been more difficult to get large capital projects under way there.

Senator MacKenzie: Are the Francophone countries of Africa getting over what I might call their colonial attitudes towards Canada? As you know, it was felt that any person who did not come from the Sorbonne did not rate very high in the hierarchy of educational matters in the Francophone world. Our Canadian educators were questioned about this in the early days.

Mr. Strong: This has been a problem—there is no doubt about that—because Canadian educational institutions were not widely known in French-speaking Africa. However, it is a credit to the Canadians who have pioneered the establishment of our educational program in that area that there is now a very positive attitude in most of these places towards Canadian educators and towards Canadian education generally. We are getting more and more requests from this area for Canadian teachers and professors and advisers. But, the problem you described did to some extent detract from the rapid implementation of our program in its beginning stages.

Senator MacKenzie: Thank you.

Mr. Strong: We turned then, in 1964, to Latin America, and came up with a rather different method of providing assistance to Latin America from that which we have used in any other area. We set up a development loan program under which we have allocated in the last four years \$10 million per year of development loans to Latin America, and we have done this in co-operation with the Inter-American Development Bank, which is an international development bank looking after Latin America, and composed of both Latin American countries and the United States.

We had the president of that bank up here in Ottawa earlier this week to discuss and review the relationship that exists between us and the bank. We are not members of the bank, but it administers this program on our behalf.

Last year for the first time we supplemented this development loan program with a modest program of technical assistance. We allocated \$500,000 for technical assistance to Latin America, and this is really the first time we have had a type of technical assistance relationship with Latin America.

In the early years Canadian aid was focused largely in such areas as food aid, power development, resource surveys, and education—particularly education at the secondary school level where we supplied both teachers and, in some cases, equipment. There was a concentration on large projects—tangible, highly identifiable projects such as the Warsak Dam, which is one of the largest projects we have undertaken, and the less widely known, but perhaps even more impressive, Kundah hydro electric project in southeast India.

I had the pleasure of visiting both of these projects last spring, and I was very highly impressed with the results that have been achieved, especially from the Warsak project, and also from this Kundah project where there are five huge power houses and 12 dams which have opened up a new section of that country to agriculture, and it provides the principal source of power for the very substantial degree of industrialization and rural electrification that has taken place in Madras state in the last five years. We are also working on another power project in Kerala.

These are some of the most important projects of their kind that are being carried out anywhere in the world, and these are being carried out under the Canadian aid program.

This type of project includes such things as the nuclear power generating plant under construction near Karachi, and another atomic power station being built in Rajasthan, and the Idikki dam in Kerala. These are very large projects. They have been very effective, and they are pretty impressive.

The Chairman: I take it that these are all financed completely by Canada?

Mr. Strong: They are completely financed by Canada in terms of the foreign exchange component, but it is characteristic of the Canadian program that we require the recipient country to provide a portion of the cost, and sometimes a large portion. They provide the non-foreign exchange costs, as a rule. So, these really are partnership enterprises. In some cases they finance local costs. Particularly in cases like the Kundah dam, they use Canadian counterpart funds to finance local costs, but we are financing a large percentage of the total project. But, in all cases, the countries themselves do provide a very substantial portion of the costs.

Senator MacKenzie: What was our participation in the dam that has just been opened in Pakistan?

Mr. Strong: You are referring to the Mangla dam. Our total dollar participation was...

Senator MacKenzie: I was thinking only in terms of our share? We did share with other countries?

Mr. Strong: Yes, we participated in this—I can get the figure for you, but it is something a little over \$2 million.

Senator MacKenzie: How would this compare with the participation of other countries?

Mr. Strong: I do not know the percentage. I can say, however, that generally our participation in these projects is actually very good in relation to any of the criteria that are used to determine what a fair share would be. I can get the figures for you. Mr. Drake tells me that he thinks it is something of the order of 5 per cent of the foreign exchange costs; that is the cost that is shared by all the donor countries.

I have been reminded that when I mentioned the fact that we started the technical assistance program to Latin America last year I should have said that, in fact, it started in this current fiscal year. This program is actually beginning. It was decided last year, but the program is actually starting this year.

Senator Grosart: Mr. Strong, in a typical capital project such as one of these dams what percentage of Canadian funds would be spent in Canada, as compared to the amount spent in the recipient country?

Mr. Strong: In a typical project, most of the funds would be spent in Canada—certainly to the extent of 90 per cent—because this is the principle on which we operate, that Canadian funds are used to provide Canadian goods and services. Often such things as the local housing needs of our own Canadian personnel would be carried by the recipient government. In some cases the Canadian contribution would go to almost 100 per cent to provide Canadian costs.

Senator Grosart: It is a transfer of resources rather than of money?

Mr. Strong: Indeed.

Senator Grosart: Is there any thinking in the department that you can further untie aid?

Mr. Strong: If I may, I was going to touch on that in just a moment or two. I will try to deal with it expeditiously. I will omit further reference to examples of our aid program. I have a great many of them here and I would certainly be very happy to refer to them if any members would like to hear of them. I will skip over that for the moment.

Senator Cook: Could the statement be put on record?

The Chairman: I was going to suggest that. If it is agreeable to the committee we will ask the reporters to include in the report those examples that are not referred to.

Mr. Strong: As a matter of fact, I have prepared a rather more detailed statement than I intended to give. I am using it as a basis for these remarks. It might be useful for the record to have this detail incorporated. I would be very happy to make the entire text available if you wish.

The Chairman: I was hoping we could carry on until about 12.15. This is a continu-

ous effort, but we will not be able to have another meeting this year because of the coming Christmas holiday. We will be proceeding again with Mr. Strong as our witness as soon as the Senate meets after the New Year, so I think we are rather anxious to get as much detail as possible. If it is agreeable to the committee, I would suggest that Mr. Strong be asked to carry on with this detail until 12.15, at which time some honourable senators have appointments. We would then adjourn the committee until after the New Year and then proceed from where Mr. Strong left off. If that would be agreeable, we are anxious to get a complete picture.

Senator MacKenzie: Could Mr. Strong include in the printed record the statement he had prepared for us? I think it would be very useful if we could read it before meeting with him again.

The Chairman: Yes, we will include the whole of Mr. Strong's prepared statement in our proceedings of this meeting and then proceed on it next time. Is that agreeable to the committee?

Hon. Senators: Agreed.

(See Appendix "B".)

Mr. Strong: In view of the time I will refer to only two or three points which seem to be of particular interest in light of the previous discussion.

The character of our aid has somewhat changed in several respects. We have moved to development loans as well as grants. The grant aid program is still a very substantial part of our total, but in the last couple of years we have stepped up considerably the percentage of development loans. We have done this in a way which is not burdensome as far as the developing countries are concerned. Our loans are on very soft terms. Most are made on a 50-year term with no service charge and no repayments for 10 years. We have even eliminated the three-quarters of one per cent service charge originally attached to these loans.

Also, we have moved very much more in the direction of educational and technical assistance, and an increasing percentage of our budget has been in this area. We are going more and more for what we call comprehensive or integrated projects, projects in which with the agreement of the recipient country we select a strategic area of priority

need. We move in with a team of Canadian people, assisted where appropriate with Canadian capital assistance in the way of equipment and materials, and attempt over a long period of time to actually meet that need. This is instead of the former fairly widespread, and in many cases useful, practice of sending a scattering of individual experts out into the field. Some of these have done outstanding jobs, and they will continue to do outstanding jobs. We are moving more and more in the direction of isolating these high priority strategic areas and moving in a rather comprehensive way to try to do something about problems of this kind.

Concern has been expressed about the tying of aid, and I think it has to be recognized that there are two sides to this question. UNCTAD, DAC and the World Bank have often drawn the attention of the international community to the adverse effects of aid tying. Essentially these adverse effects result from the limitations they place on the recipient countries in terms of procurement. This affects their own priorities because they have to use the aid of the bilateral donors to purchase the goods and services of the countries providing the aid. This imposes some limitations on them. Also in many instances it adds to the costs of the goods and services they are getting, or in another sense reduces the effectiveness of the total dollar amount of aid allocated to them. This is because there is no international competition involved.

I might say that the effects of this aid tying have been somewhat mitigated in the last few years as both donors and recipients have become much more knowledgeable and sophisticated in determining the areas in which they can provide goods and services on a generally competitive basis. Certainly it would not be very helpful to any of us if we were providing to recipient countries under our aid program things which are not competitive. It does not help our industry particularly if we are using our aid program to subsidize high cost competitive exports. Therefore, more and more we are trying to move in the direction of providing only those things in which we are competitive, or are likely to be competitive in the future.

An example is the fact that we are now prepared to, and do in many cases, use our aid to finance successful Canadian bidders on international tenders when the projects involved are high priority development projects. This, of course, ensures that the goods are being provided competitively.

We also have authority in certain cases to provide up to 25 per cent of the total cost of a project by way of local costs. Some of these governments are very poor, and some do not have the funds in their budgets to provide the local cost component we normally insist on as part of the partnership concept. As an instance of that kind of thing, we now have authority which permits us to assist them with their capital cost up to an amount of 25 per cent of the total. This is one of the specific things we have done to mitigate the adverse effect of untying.

We have also encouraged more and more direct procurement by the receiving country in our country, which means what we really do is try to put the end purchaser in India, Pakistan or one of the other receiving countries in direct touch with the supplier in Canada. This can lead to better understanding and to long-term customer relationships. This is also very helpful.

Senator Grosart: Which countries do not tie their aid?

Mr. Strong: Only the very small countries, such as Sweden and the Netherlands, do not tie their aid. In general it can be said it is only those countries which in any event—and I am not saying this cynically—are successful in getting more by way of international tenders from the international aid and development agencies than they contribute by way of aid. Without diminishing the importance and value of this or detracting from the credit it reflects on them. I think it has to be said that this is primarily true of those countries which can do it without any damage to their export position. The larger donors all tie their aid.

Senator Grosart: What about Australia?

Mr. Strong: Australian aid is tied to quite an extent. A good deal of Australian aid goes to Papua and New Guinea, which are part of their currency area in any event. Australian aid is all grant aid. The quality of Australian aid is very good, but Australia does to a very large degree tie its aid. Certainly, the United States, the biggest donor, obviously ties its aid. This is a general and a very difficult problem for one country to solve unilaterally. In the international forums Canada has taken a very constructive position on this matter. We agree regarding the problems people point out in relation to tied aid. We agree in the sense that it imposes a burden

on the whole development process. On the other hand, there are some arguments that have to be taken into account, such as, because aid is tied there is greater willingness on the part of a great many donors to support higher levels of aid, because they identify it with their own self-interest. How valid this is it is very difficult to say, but with some people it carries a great deal of weight, and I think there is a good deal of substance in the argument. It is difficult for a country like Canada, which has balance of payment difficulties itself and has not reached a position where it receives nearly as much in the way of export orders from the use of aid funds as it contributes to the various agencies concerned. It is much more difficult for a country like Canada, because it is in this position, to take unilateral action in the direction of untying aid. It is true that if the entire international development community is going in this direction—it is to be hoped it will—I am sure Canada will not be lagging behind. At any rate, this is not the indication up to this point.

The other thing I think I should mention is the fact that we have this year obtained an authority—and Mr. Martin announced this some weeks ago—to assist the voluntary agencies in Canada. Commencing on April 1, and subject to parliamentary approval of the appropriations required for this purpose, we will have a new item in our aid budget which gives us the right to expend up to a total of \$5 million in programs and projects undertaken by private voluntary organizations in Canada in respect of international development.

There are certain criteria laid down under which this program will be operated. One of the factors is obviously that we do not want to be picking up the tab for existing finances that should be and have been coming from private sources. We want to make sure that the funds available to this program are used to augment, increase and improve the programs.

Senator MacKenzie: Will these criteria be included in your statement?

Mr. Strong: They will not be.

Senator MacKenzie: It would be useful if they were included as an appendix or something.

Mr. Strong: We would be very happy to do so.

Senator MacKenzie: Thank you.

Senator Grosart: I do not want to ask you to name any specific organizations, because I know the trouble that might give you. But could you indicate the general kind of private organization?

Mr. Strong: I think there really are not any voluntary or private organizations which would normally be excluded, provided they have a national organization. This is one aspect of the criteria that should be mentioned. It would be very difficult for us to deal with every little parish or local agencies; it would be impossible administratively. So, one of the attributes it has to have is a national organization or operation.

Senator Macnaughton: It has to be registered with the Charities Office. They are very insistent on that.

Mr. Strong: Yes. This really would include almost any Canadian voluntary agency. The criteria—and it is not so much a matter of selecting the agency—entering into the selection or approval of the agency are only such factors as whether it has the administrative competence, the money itself or the capacity to get the money, the kind of experience it has in effectively administering overseas programs. The criteria are of an operational type. We are not trying to make judgments on the organizations themselves, but simply on the quality of the projects and programs they have put forward, and on their own capacity to administer and finance their share of these programs. Church programs will be eligible, to the extent they are development and not proselytizing programs, which would not, of course, have a place in our program.

Senator Macnaughton: Will you, or are you authorized to assist private organizations which, let us hope, may be able to conduct operations outside of Canada, not necessarily for the benefit of Canadians?

Mr. Strong: This is designed to assist Canadian organizations with their external aid programs. This is only designed to do that. It is not designed to assist them with their Canadian operations, except where these are in themselves a necessary part or in direct support of their international operations.

Senator Macnaughton: There is a tax angle which has been raised by other officials, and it is important in essence.

Mr. Strong: Yes, I know something about this, and I think you are quite right. There is a problem with some of these international agencies in getting their tax exemption.

The Chairman: I think this might be an appropriate time to adjourn. Of course, it is understood that these meetings will continue, and that we will ask Mr. Strong to come back to the committee as soon as Parliament re-assembles after the New Year. We thank you very much, Mr. Strong.

Senator Macnaughton: Some of us, I suppose most of us, have occasion to go to the Caribbean and the British West Indies. We

are always approached and asked, "Why don't you help us and assist us?" Could there be a paragraph on that aid and assistance to the British West Indies in your statement?

Mr. Strong: I have something in here, but I will take special note of this, and if it is not adequate I will add something to it.

Senator Cameron: I am going there on January 7, and anything I could have before then I would be glad to have.

Mr. Strong: I might say that if any of the honourable senators who are going to any of the developing countries at any time want any special information on any area, we stand ready and are very pleased to provide it at any time.

Whereupon the committee adjourned.

APPENDIX B

Statement by Maurice F. Strong,
Director General, External Aid Office.

As mentioned last week, I plan to deal today in more detail with Canada's role in external aid and the specifics of our program.

Canada's current external aid program had its genesis in the years after the Second World War. That was the period when Canada moved from aid that was clearly associated with the war and its aftermath to assistance for the less developed nations.

In 1950, Canada joined Britain, Australia, New Zealand, India, Pakistan and Ceylon in a discussion of ways to cope with the political economic, and social problems confronting the newly independent nations of South and Southeast Asia. The result was the Colombo Plan, originally conceived as a Commonwealth response to what was regarded as a Commonwealth responsibility.

A six-year program of development was sketched out, but this was subsequently extended at five or six-year intervals. The plan was expanded to embrace 24 nations, some of them outside the Commonwealth, but the elastic Commonwealth structure determined its form. There are no formal conditions of membership, no master plan to which all are expected to conform. Each country retains responsibility for formulation and execution of its own development program although it is reviewed within the Colombo Plan's Consultative Committee and the Council for Technical Co-operation.

For eight years after its inception, the Colombo Plan was Canada's only bilateral aid program. Each year Parliament appropriated \$25 million as Canada's contribution plus a small amount designated as technical assistance. From 1959 on, our allocations rose more rapidly—more than \$47 million to 11 countries by 1961, more than \$70 million in 1964-65 and currently \$132 million. Although Canadian assistance now is extended to other areas, the Colombo Plan region continues to receive by far the largest share of our aid funds. Since the beginning of the plan, Canada has made available through it more than \$930 million.

In 1958, Canada decided to broaden the scope of its contributions by undertaking a new program in the islands of the British West Indies, an area for which Canadians had long felt a special sense of attachment. When the proposed West Indies Federation collapsed in 1962, Canadian aid was transferred to individual units of the federation. With the attainment of independence by Jamaica and Trinidad and Tobago and later by Guyana and Barbados, Canadian interest was strengthened. At the Commonwealth Caribbean conference in Ottawa in mid-1966, various new avenues of collaboration in spurring economic development were explored. Today the Commonwealth Caribbean is receiving more assistance from Canada on a per capita basis than any other area.

Africa was the third area to which our aid program expanded. Canada had few relationships with Africa in the pre-war years. But the great upsurge of independence on that continent after 1957 saw many states which had been British dependencies become members of the Commonwealth; other states were created from colonies of France and Belgium and became heirs to the French language and culture. Thus in Africa, we can give expression in our aid programs to Canada's own dual heritage.

Canadian assistance to Africa began in 1960 after the Commonwealth Prime Ministers' conference. First we made allocations for Commonwealth African countries. In partnership with Britain, Australia and New Zealand, Canada established a Special Commonwealth African Assistance Plan (SCAAP); it was agreed that help would be provided on a continuing basis to dependent as well as independent Commonwealth African countries. This was followed a year later by launching of a program for the Francophone nations in Africa.

Although we were heavily involved in Asia and playing a part in Caribbean and African assistance programs, it was felt that we could not afford to ignore conditions in Latin America. We have extensive diplomatic and commercial ties there. We have sympathy

with the aspirations of the Latin American nations—and we know something of their needs. To avoid the risk of spreading ourselves too thinly, we began in 1964 to allocate \$10 million in our development loan funds to Latin America for projects which would be submitted for our approval through the Inter-American Development Bank. We have continued to add \$10 million a year to the amount available for the program. Through our arrangement with the IDB, we can finance projects impartially selected and administered by a Latin American institution on the basis of optimum economic benefit to the recipient nation. This year for the first time we have added a small-scale program of technical assistance to complement our development loan program.

Canadian aid has been largely focused in such areas as food, power development, resource surveys and education—particularly at the secondary school level with the supply of teachers and some equipment. There was a concentration on large projects—which helped provide the vital infrastructure on which economic and social development depend. For example, Canadian aid built the huge Warsak Hydro Electric dam project in West Pakistan and the big Kundah hydro electric project in India's Madras State.

This type of project has been a continuing feature of our program—witness the nuclear power generating plant under construction near Karachi and another atomic power station being built in Rajasthan or the Idikki dam in Kerala in southeast India which will feed power for a grid covering Kerala, Madras, Andhra Pradesh and Mysore—with a population of more than 100 million.

But there has been a marked growth in other areas of aid. Program aid—or non-project assistance—makes up an important share of Canada's allocations new—the supplying of fertilizer, base metals such as copper, nickel, zinc and aluminium, the raw materials for industry. In contrast to the spectacular type of project, this is, in a sense, anonymous aid. But India and Pakistan, for example, need these raw materials to feed their improved industrial and agricultural output.

Canada has also broadened its transportation and communications aid from railway locomotives and parts to such fields as airport studies and construction, supply of aircraft, road studies. As well as direct food aid,

we are providing more agricultural training projects—efforts to upgrade food production techniques, training of personnel, demonstrations, supply of livestock. In the education field, we have expanded into technical spheres—designing and building of schools, supply of equipment, provision of staff and training of staff in the host countries to replace the Canadians.

We are concentrating more of our efforts on integrated projects—those involving a range of technical and financial aid designed to meet specific priority objectives over a period of time. This usually means a team approach to a problem.

A current example is in Thailand where we are helping that country organize and administer a comprehensive school system—one that will give secondary school students an alternative to academic work in technical, job-oriented courses. This involved training of Thai school personnel in Canada, dispatch of advisers to Thailand and \$1 million in supplies of vocational equipment.

At the University of the West Indies, we have begun a \$5 million grant aid program spread over five years—to design and construct buildings at three campuses, provide scholarships and fellowships for training in Canada and at the university; and Canadian lecturers to supplement UWI's staff. Some of these scholarships will enable students from the smaller islands in the Caribbean to do graduate work at UWI campuses. In Korea, we have another integrated project to develop the Korean dairy industry.

As I noted last week, there have been changing patterns in the structure of aid—its forms and its terms—in recent years. Canada is no exception; we have altered our pattern of aid considerably.

Until the 1964-65 fiscal year, all of Canada's external assistance was made available in the form of development grants—whether for capital projects, food aid, spare parts, other commodities. Beginning in 1961, loans were made on commercial terms under the Expert Credits Insurance Act as a result of newly authorized long-term financing facilities. But these export credits had the primary objective of aiding Canadian exporters.

In 1964-65, however, when the level of our aid was more than doubled, Canada introduced its first development loans. These were on soft terms, matching the standards set by

the World Bank's soft-loan agency the International Development Association (IDA). They were interest-free loans with a 50-year maturity, a three quarters of one per cent service charge with repayment to begin after a 10-year grace period. Midway in 1966, we modified that further by eliminating the service charge. In the same year, the Government introduced an intermediate lending facility—a semi-soft loan at 3 per cent interest with a maturity of 30 years and a 7-year grace period. These were designed for countries whose financial situation indicated they could service somewhat higher repayment obligations.

Despite the introduction of the loan component three years ago, development grants—bilateral and multilateral—remain a large element in Canada's program.

Development loans have been employed in the main for those projects which bring a specific economic return to the country and should be self-liquidating over the long term.

If export credits are excluded, the great bulk of these development loans are interest-free. For example, in 1966 commitments made under the official bilateral loan program included more than \$30 million in loans with 50-year maturity and no service charge. Only \$2.5 million were of the intermediate type with 3 per cent interest and a shorter grace period.

Canada has tried to relate the terms of aid to the nature of the project being financed as well as to the ability of the recipient to service the debt. We have continued to provide food aid and technical assistance on a purely grant basis.

Our direct food aid is, of course, a response to a situation arising from crop failures or shortages. But food aid also contributes to development by releasing for development purposes foreign exchange that would otherwise have to be used to buy foodstuffs. We require that the recipient country set up in its own accounts an amount in local currency—a counter-part fund—which is equivalent to the amount of foreign exchange they have saved by our gift of food. We have no direct access to this fund. But Canada requires that the recipient apply it to agreed long-term development projects.

The provision of food supplies is an interim measure necessary until the developing nations are in a position to meet their

growing food needs through their own resources. Canada is putting more emphasis on identifying ways in which the developing countries could be assisted in their current efforts to increase agricultural productivity. Our mission of agricultural experts to India this fall was sent out for this purpose.

Expenditures in technical assistance—as I mentioned last week—have been climbing significantly. Last year they increased by 50 per cent, reaching a new level of more than \$19 million or almost 10 per cent of the total aid expenditure. These figures exclude construction or equipment of schools and surveys—items which others classify as technical assistance. Aid to education of all types continues to be a major feature of our program. There were more than 2,900 publicly financed students and trainees under the Canadian program in 1966 and of the more than 1,100 experts and advisers serving abroad, about 70 per cent were teachers or professors. Voluntary programs were, of course, over and above this.

Export credits in most cases are included in the international measurement of aid flow. But as indicated earlier, we certainly accept the argument that they are designed primarily to serve the Canadian exporter, usually in the field of capital equipment. It should be noted, though, that export credits at one time represented almost one-third of our entire program, but now account for between one-fifth and one-sixth. And the proportion is expected to shrink in future years.

When we turn to overall volume of Canadian aid, I know the committee is aware that the Government has indicated its determination to move progressively toward the aid target adopted by the first UN Conference on Trade and Development. The Secretary of State for External Affairs has stated that—subject to economic and other circumstances—the level of Canadian aid should approximate one per cent of national income by the early 1970s. Our current volume of aid is more than triple the amount allocated four years ago. In the 1966-67 fiscal year, our total aid—including long-term export credits, was a little more than \$311 million. This included \$48.5 million in development grants; more than \$100 million in food aid—\$77 million of that for India alone with \$21 million a special supplement loans; \$41.49 million in multilateral grants and advances; and \$61.7 million in export credits.

In the current fiscal year, our overall allocations embrace \$50 million for grants; \$75 million in food aid; another \$1.31 million in debt forgiveness; \$90 million in development loans; \$37.9 million in multilateral grants; and an estimated \$60 million in export credits. One of the tables attached sets out the geographical distribution of these allocations with similar figures for the previous fiscal year. In order to free grant aid for technical assistance and increased food shipments plus certain other types of aid in small countries not in a position to use loans, the supply of industrial raw materials to such countries as India and Pakistan has been shifted from grant to interest-free loan financing.

Canada does maintain a policy of tying our aid funds—of insisting that the bulk of our bilateral aid be given in the form of Canadian goods and services. In 1966-67, a little more than 80 per cent of our bilateral aid expenditures were "tied."

We recognize the validity of what UNCTAD and DAC have said about the limitations which tying of aid imposes on the freedom of recipients to choose the most suitable sources of supply on the international market. Evidence in some cases indicates tying of aid results in increases of from 15 to 40 per cent in the price of goods provided under bilateral programs.

But there are good reasons why aid has been and continues to be tied. There is concern about the effect that untied aid would have on the balance of payments, particularly for a capital importing country such as Canada. Another reason is the desire to facilitate Canadian exports. Provision of Canadian products and services can lead to an increased familiarity with them on the part of developing countries—and hence to expansion of trade opportunities. This would, of course, be self-defeating if aid funds were used to subsidize high-cost Canadian goods which could not compete internationally. However, the disadvantages of tied aid have been very much mitigated in recent times as both donors and recipients have developed more sophisticated knowledge of what can be supplied most competitively from various bilateral sources of aid.

We cannot ignore another factor—a number of other leading donors headed by the United States also tie the bulk of their aid. If there is to be a gradual untying of aid, it could best be done in conjunction with other

donor states. Untying of aid permits developing countries to purchase from any supplier and as a result unilateral untying of aid by Canada would initially mean that Canadian aid would serve to some extent to finance the exports of other donors.

It is also argued that the volume of aid the public in donor countries is likely to support is greater when aid is tied and they can identify a greater element of self-interest in the aid program. But it is difficult to measure public opinion on a matter such as this.

From a development point of view, the disadvantages of tied aid are apparent. It must be admitted that untying of aid would enable a more effective allocation of resources for development in recipient countries.

Canada does recognize these problems—and in the light of the DAC recommendations of 1965 for a progressive reduction in the scope of aid tying, we have taken steps to mitigate many of the adverse effects of tied aid.

First, it should be pointed out that a significant share of Canadian aid—nearly \$38 million in the current fiscal year—is channelled through multilateral agencies and so is untied.

In the bilateral program, it is now Canadian policy that up to 25 per cent of the financing for a project can in appropriate cases be used for local costs. We have also implemented a new procurement policy which permits recipient countries or their designated agents to make direct purchases in Canada under competitive conditions. We make available a sufficiently broad range of goods and services to enable recipients to avoid those with a relative price disadvantage. We also make provision for suitable financing in those cases where Canadian bidders have been successful on international tender calls. Non-project assistance, consisting primarily of food aid and other commodities which can be purchased on the basis of competitive international prices, together with technical assistance accounted for more than 71 per cent of bilateral commitments in 1966.

Canadian aid is being increasingly concentrated in countries and areas where Canada has important interests and where Canadian aid can make the most effective contribution to development.

At present, the chief areas of concentration are India, Pakistan, Malaysia and Ceylon in Asia; Nigeria and Ghana in Commonwealth Africa; Tunisia, Cameroun, Senegal and Rwanda in Francophone Africa; the Commonwealth Caribbean and Latin America as a region through the Inter-American Development Bank. Almost 80 per cent of our bilateral allocations are now being made in these areas of concentration.

Our allocations to India, Pakistan, Malaysia and Ceylon in the current fiscal year total \$126 million. In India, this includes food aid, shipment of fertilizers and \$10 million in other commodities, as well as completion of two power projects and launching of a third, the delivery of more locomotives and provision of spare parts for other projects. In Pakistan, a big steam generating plant was commissioned this year at Sukkur; more transmission lines are being completed and \$8.5 million in food aid being provided. In Ceylon, work on the airport near Colombo is being completed, engineering and design work for a combined power and irrigation project is being financed and \$2 million in food aid allocated. In Malaysia, a natural resources survey has been completed and is being followed up by a more detailed study of land use, a technical teachers' training college has been equipped and \$3 million in vocational school equipment supplied.

In Commonwealth Africa, our bilateral aid has reached \$19.5 million in grants and loans to 14 countries, much of it for educational and technical assistance. In Ghana this year, for example, nearly half of the aid allocation will finance dispatch of teachers and advisers and training of about 130 Ghanaians in Canada. In a five-year period, Canada has spent more than \$1.3 million to build and staff a trades training centre in Accra. In Nigeria, we have allocated \$1.5 million for the design, construction and equipping of a technical high school in co-operation with Alberta's Department of Education and completed a telecommunications project in Lagos for \$3.5 million.

Canadian aid to the French-speaking African states has grown rapidly in recent years—from \$8.1 million to \$12 million in the past year. In Tunisia, Canada this year has allocated \$1.7 million for technical assistance including sending of a medical team to assist in establishment of a children's hospital. In Senegal, nearly \$1 million has been allocated

for technical assistance: In Cameroun, technical assistance has gone over the \$1 million mark and grants allocated for bridge building, feasibility studies in transportation and livestock production plus paper supplied for textbook production.

In the Commonwealth Caribbean, assistance was expanded after the Ottawa conference to which I referred earlier. Allocations in the current year total more than \$17 million—up 30 per cent over the previous year. Much of our contribution is to projects which facilitate regional development. We have the benefit of a joint Canada-United States-British economic survey of Barbados the islands of the Leeward and Windward groups and British Honduras; from that survey came proposals for improvements in air transport, water supplies, school construction and agricultural production. Grant aid levels have been increased for Jamaica and Trinidad and Tobago to permit a greater amount of technical assistance. Port facilities have been improved in a number of islands; a big mapping survey of Guyana's forested interior is under way; 40 prefabricated primary schools supplied to Jamaica; a water resources survey in Trinidad and Tobago; and a joint building project with Britain at the University of Guyana.

Aid to Latin America through the Inter-America Development Bank has included extensions to a port in El Salvador; a comprehensive series of studies in forestry, irrigation, land use and tenure for the Guayas River Basin in Ecuador; highway studies in Paraguay; mining and industrial equipment for Bolivia; financing expansion of Chile's State Technical University and pre-investment studies for irrigation, water and sewerage projects in Mexico.

Before turning Canada's contribution to multilateral agencies, perhaps I should deal separately with Vietnam since our program there has been so frequently discussed in recent weeks.

In the initial period of our program in South Vietnam, we provided food aid at the request of the Vietnamese authorities. Then the accent was on technical assistance, which in 1966-67 was about \$700,000, and in the current year, \$1.19 million of a total allocation of \$2.5 million. Nearly 400 students have been brought to Canada from Vietnam and at the moment 235 of those are undergoing academic and technical training here—most of

them in French-language institutions. This represents the largest trainee group from any country.

But the emphasis in our Vietnam program has been changing in the past three years. Information available to us on the civilian needs of South Vietnam indicates that the most effective help Canada can offer at the present time is in the medical field. Specific proposals for extending our civilian medical program were made by a high-level team recently returned from Vietnam. Three major projects are already under way and last week the Secretary of State of External Affairs announced Canada was prepared to launch a fourth.

The first of these projects involved construction, equipping and staffing with medical personnel of a TB clinic at Quang Ngai, 350 miles north of Saigon in the heart of Viet Cong infested territory. The Government has announced that the Quang Ngai clinic is being further developed as a full-fledged medical centre with additional medical, nursing and laboratory personnel to serve there and at the nearby civilian hospital. The size of the Canadian medical team will be doubled to 16 and there will be more supporting equipment and drugs and construction of new facilities. On-site training for Vietnamese para-medical personnel will be increased and a one-year course in practical nursing launched for Vietnamese girls. Technical assistance costs will run between \$400,000 and \$500,000 a year. The Government is aiming at a gradual transfer of responsibilities from Canada to Vietnam within five years.

In the second project, we provided 10 emergency hospital units at a cost of nearly \$800,000. After confirming the usefulness of these units, our Vietnam mission has recommended the supply of 10 more such units which have been requested by the Vietnamese.

We began an immunization program last year, starting with a pilot program among children in Saigon. Five hundred thousand doses of trivalent oral polio vaccine were shipped in August of last year and another 150,000 doses at the end of November. This fall we began the second stage of this program with the shipment of 300,000 doses and two further shipments of 300,000 doses each—900,000 in all—are scheduled by the end of

next March. These will be used for immunization drives outside of Saigon.

Also, Canada is ready to support a physical rehabilitation centre to be built in co-operation with the National Rehabilitation Institute of Vietnam at Qui Nhon, 250 miles northeast of Saigon. This is one of three sub-centres planned by Vietnam to complement the one in operation in Saigon—centres which will serve war victims and those who have been incapacitated by polio, leprosy and other diseases. The centre would provide physiotherapy services as well as make and fit artificial limbs. As at Quang Ngai, Canada would supply the professional staff for this centre initially, but a major aspect of the program would be the training of Vietnamese staff—both at the centre and in Canada—so that they could take over the work themselves within five years.

Turning now to multilateral aid, Canada is contributing nearly \$38 million this year. The largest amount, a little more than \$15 million, goes to the International Development Association, the soft-loan agency of the World Bank which we discussed earlier. Canada has been providing a little more than 5 per cent of the subscriptions to IDA by the industrialized nations.

Canada is also contributing \$10.75 million to the UN Development Program. This is the largest of the programs carried out under UN auspices and much of its funds are devoted to technical assistance and feasibility studies.

Canada has provided \$5 million this year to the Indus Basin Development Fund to provide arable land for more than 50 million people in Pakistan by replacing waters allocated to India by treaty; another \$2.47 million to the Food and Agriculture Organization's World Food Program; \$1.2 million to the Commonwealth Scholarship Plan; and smaller amounts to such agencies as the UN Relief and Works Agency for Palestine Refugees and the UN Children's Fund.

Last year Canada ranked fourth among contributors to the UN Development Program and IDA, third in contributions to the UN Relief and Works Agency and second in the World Food Program.

As I mentioned last week, we value our association with the World Bank and we see it as a multilateral development agency at its best. The Bank and its affiliate institutions can achieve maximum results per unit of

expenditure. They are free to select projects on the basis of objective development criteria and to insist on international competitive bidding in the use of their funds.

Canada is an active member of the consortia which co-ordinate assistance to India and Pakistan and a member of other consultative groups formed by the Bank to deal with development problems in Colombia, Malaysia, Nigeria, Thailand, Tunisia, Korea, Morocco and Peru. Korea, Morocco and Peru are the newest of these groups.

We have pledged an initial capital contribution of \$25 million and additional funds for technical assistance to the Asian Development Bank, a 31-member institution which has become operational this year. The Asian Bank is examining its first requests for loans from 16 of its 19 regional members.

In the private sector, Canada is making a serious effort to encourage more interest on the part of business and industry in aid programs—both as suppliers of services and as investors in key undertakings in developing countries. Increases in government aid flows do not mean any lessening of the need for support from the private sector. On the contrary, it requires an equivalent increase in the role of the private sector which complements and supplements the governmental role in aid in so many respects. We want to draw to a growing extent on the resources of our private companies—and of our universities, voluntary agencies, trade unions, co-operatives and professional organizations.

As I mentioned last week, the flow of direct private investment to developing countries is difficult to measure and tends to fluctuate widely. So far as Canadian investment is concerned, the average between 1955 and 1960 was \$26 million a year and between 1960 and 1965 about \$34 million a year. Canadian investment in these areas has been dominated by a few large firms with about half of the total concentrated in mining and smelting activities.

We are co-operating with non-governmental, non-profit agencies in expansion and improvement of their programs. In the last fiscal year, these programs conducted by more than 80 organizations contributed roughly \$34 million to the development effort with about 6,500 Canadians serving abroad—in direct relief and in self-help projects in such areas as education, leadership training, agricultural development, urban renewal and rural community projects.

Organizations engaged in these fields include such groups as the Canadian Red Cross and Junior Red Cross, the Canadian Save the Children Fund, the Anglican and United Churches, the YMCA and YWCA, the Oblate Fathers, the Dominican and other orders of the Roman Catholic church. These are but a few examples.

One project to which I would draw particular attention is the Mysore Institute of Food Technology in India—a permanent training centre in food sciences serving 14 nations in Asia. This institute, which is making a basic educational attack on food problems, was set up under FAO auspices and backed by contributions from thousands of Canadians in schools, clubs and companies through the Canadian Hunger Foundation. Counterpart funds generated by the sale of wheat supplied to India by Canada were used to help build the student hostel for this international institute.

We have provided an increasing measure of support for Canadian University Service Overseas, a private body which recruits graduates of university, technical and other post-secondary school institutions to work under conditions of service roughly equivalent to their local counterparts in the host country. CUSO has more than 900 volunteers abroad on two-year tours of service in 40 countries; they supply middle-level manpower such as teachers, nurses, librarians, home economists, foresters, architects, lawyers, mechanical engineers and geologists.

We have also encouraged the creation—with the help and support of CUSO—of a new body, Canadian Executive Service Overseas, a non-profit organization designed to make available the services of top-ranking Canadian business and professional men on short-term assignments in developing countries. More than 40 requests from these countries have been received in CESO's Montreal office since it opened four months ago. Two missions have been undertaken—an adviser for industries in Tanzania and Uganda and a second exploratory survey in Kenya, Tanzania and Zambia. CESO is hoping to complete 50 missions by volunteer consultants next year. A distinctive feature of this new organization is its close association with CUSO. The two organizations expect to work together in respect to administration, fund raising and certain field operations.

We feel there is a potential for even more varied activity on the part of private citizens and their organizations in the international aid field.

With this in mind, the Government has announced that next year for the first time External Aid budget will include a \$5 million fund to assist private groups in broadening their aid efforts. A substantial part of this will go to CUSO. The balance will be available to private groups seeking help for specific projects of a capital, service or program nature. Our support will be related to increasing the extent or scope of activity by voluntary agencies; government funds will not be substituted for existing sources of funds from the private sector. Grants will normally be on a matching basis and thus have a multiplier effect on our total aid effort.

In order to be considered for such grants, organizations must be clearly identifiable as Canadian and they must—by generally accepted standards—be efficiently operated and capable of competent management of the project in question. Assistance will be extended through national or parent bodies only—and not to individual chapters, branches, orders or parishes.

Basic criteria that will be applied in assessing suitability of proposed projects will include these: it must be demonstrated that the project can make an effective contribution to the priority development needs of the country concerned and it could only be undertaken with the concurrence of that country; the feasibility of the project and the soundness of its financing would have to be established; and the project would have to be generally compatible with the policies governing Canada's aid program.

Only governments have the resources required to operate large-scale programs. But voluntary groups can often conduct pilot projects and experiment and innovate more readily than government. We know, in fact, that government aid programs owe their original inspiration and some of their techniques particularly in the medical and educational fields to the Christian missions and other voluntary groups.

With our aid program expanding, External Affairs Minister Paul Martin last year ordered a thorough review—and this has

resulted in reorientation of policies and practices. Some aspects of this may be of interest to you.

We are making a determined effort to co-ordinate our programs more closely with those of other donor states and multilateral agencies—particularly in the selection of projects. We're taking a more critical look at multilateral programs. We are concentrating—as I noted earlier today—on more integrated projects involving a combination of technical and financial aid to meet specific, strategic development needs.

In this we are making use of a new five-year forward planning and commitment authority. The authority to commit resources over a five-year period permits both Canada and the recipient country to develop projects on a much more effective basis. It permits us to relate our annual commitments more clearly to anticipated expenditures and to speed up the flow of program aid by permitting long-term arrangements in Canada for the supply of base metals and other commodities.

We are improving our field administration and using more special purpose task forces such as the recent ones to Vietnam and India. We are initiating an annual on-the-spot review in countries where our aid is concentrated. Outside consultants have been retained to assist in re-shaping our administrative procedures and improving the quality of our programming. Engineers are being trained for posting abroad to assist in capital development projects. EAO officers are being sent out as administrators of technical assistance programs.

We have designed better ways to subject project requests to the discipline of the best development criteria. We are paying more attention to the need for research and the application of the latest technology and techniques to the fundamental problems of development.

We rely to a much greater extent than many donors on recipient countries to accept responsibility for projects. So we do not have a large and elaborate administrative apparatus in the field. As a result, administrative costs of the Canadian program in the current fiscal year a little more than one per cent of our total allocations. However, we do

not want to be penny wise and pound foolish—and more strengthening of our administrative resources is necessary to ensure the most effective and economic use of our aid funds and provide the administrative capacity to manage an expanding program.

Professor James Eayrs of the University of Toronto in his lectures on foreign policy earlier this year has said that in diplomacy all too often inertia prevails and innovation loses. We must not permit these labels to be attached to the diplomacy of international development. The whole job of development assistance—with its demands for perseverance over several decades—may not seem as

exciting as others around us. No one can fail to see the drama of the space race. And the impact on public consciousness of the nuclear arms race is as far-reaching as it is frightening.

But there is drama in what I might call the development race—the continuing struggle to free the world from the grip of hunger, poverty and despair. Canada does not aspire to a leading role in either the space race or the arms race. But how much we do in the development field—and how we do it—will have a significant effect on our fellow donors and beyond them, on the entire less developed world.

TABLE 11
ALLOCATION OF BILATERAL AID FUNDS
(\$ million)

Program	Grants		Loans		Food Aid		Total	
	1966/67	1967/68	1966/67	1967/68	1966/67	1967/68	1966/67	1967/68
<i>South and South-East Asia</i>								
†India.....	12.0	2.0	20.0	38.0	56.0	50.0	88.0	90.0
†Pakistan.....	8.0	2.0	12.0	18.0	5.0	8.5	25.0	28.5
†Malaysia.....	1.7	1.5	1.0	1.5	—	—	2.7	3.0
†Ceylon.....	.5	.5	2.0	2.0	2.0	2.0	4.5	4.5
Indochina States.....	2.5	2.0	—	—	—	—	2.5	2.0
Thailand.....		.8	*	.5	—	—		1.3
Korea.....	1.8		*	.5	—	—	1.8	
Others.....		1.7	—	—	—	.5		2.7
	26.5	10.5	35.0	60.5	63.0	61.0	124.5	132.0
<i>Francophone Africa</i>								
†Tunisia.....	1.0	1.8	.5	.5	—	—	1.5	2.3
†Cameroun.....	1.0	1.7	.5	.5	—	—	1.5	2.2
†Rwanda.....	.8	.8	—	—	—	—	.8	.8
Congo.....	1.0	1.0	—	—	—	—	1.0	1.0
Algeria.....	.3	.3	*	.5	—	—	2.0	2.0
Morocco.....	.7	.7	1.0	.5	—	—		
†Senegal.....	1.3	1.2	—	.5	—	—	1.3	1.7
Others.....		1.0	—	—	—	—		1.0
Regional.....	—	—	—	—	—	1.0	—	1.0
	6.1	8.5	2.0	2.5	—	1.0	8.1	12.0
<i>Commonwealth Africa</i>								
†Nigeria.....	2.5	3.0	4.0	4.0	—	—	6.5	7.0
†Ghana.....	2.0	2.0	*	*	2.0	2.0	4.0	4.0
Tanzania.....	1.3	1.5	1.0	1.0	—	—	2.3	2.5
Kenya.....	1.0	1.2	1.0	1.0	—	—	2.0	2.2
Uganda.....	1.2	1.0	—	—	—	—	1.2	1.0
EACSO.....	.2	.2	—	—	—	—	.2	.2
Others (including .5 Contingency for needs arising from UDI).....	2.3	2.6	—	—	—	—	2.3	2.6
	10.5	11.5	6.0	6.0	2.0	2.0	18.5	19.5
<i>Caribbean</i>								
†Jamaica.....	.5	1.0	3.0	3.0	—	—	3.5	4.0
†Trinidad.....	.6	1.0	3.0	3.0	—	—	3.6	4.0
†Guyana.....	1.0	1.2	1.0	2.0	—	—	2.0	3.2
†Little Eight and British Honduras.....	3.0	5.0	*	*	—	—	3.0	5.0
†Univ. of W.I.....	1.0	1.0	—	—	—	—	1.0	1.0
	6.1	9.2	7.0	8.0	—	—	13.1	17.2
†Latin America.....	—	—	10.0	10.0	—	—	10.0	10.0
C.S. Plan.....	1.2	1.2	—	—	—	—	1.2	1.2
CUSO.....	.8	1.9	—	—	—	—	.8	1.9
UN Food Programs.....	—	—	—	—	8.7	8.5	8.7	8.5
Re-encumbrances of funds borrowed 1966/67.....	—	3.5	—	—	—	—	—	3.5
Contingency.....	.8	3.7	1.8	3.0 ^(a)	1.3	2.5	3.9	9.2
	2.8	10.3	11.8	13.0	10.0	11.0	24.6	34.3
Total.....	52.0	50.0	61.8	90.0	75.0 ^(b)	75.0	188.8	215.0

†Indicates countries of concentration for which the current levels of aid (excluding food aid) are to be considered the minimum levels for programming and planning purposes for the four subsequent years.

*Indicates countries which will be considered eligible for development loan assistance if suitable projects are put forward.

^(a)It is anticipated that approximately \$2 million in loan funds will remain uncommitted at the end of 1966/67 which could be used to raise the Contingency figure to \$5 million.

^(b)During 1966/67 supplementary appropriations brought the total food aid allocation to \$100.5 (\$21.0 India, \$1.5 Pakistan, \$1.5 Morocco, \$1.0 Algeria, \$.5 Senegal).

Standing Committee

TABLE 12
CANADIAN EXTERNAL ASSISTANCE PROGRAM

	1963/64	1964/65	1965/66	—1966/67	—1967/68
(millions of Canadian dollars)					
Bilateral Aid					
International Development Grants.....	42.36	48.50	48.50	48.50	50.00
Emergency Relief.....	.86	.08	.10	.05	.10
Food Aid Grants.....	2.42	20.59	34.54	100.50	75.00
Cancellation of India Wheat Loan.....				8.72	1.31
Special Grant to India.....		5.00			
Development Loans.....		50.00	50.00	50.00	90.00
Total—Bilateral Aid.....	45.64	124.17	133.14	207.77	216.41
Multilateral Grants and Advances.....	18.98	23.90	26.25	41.49	37.93
TOTAL.....	64.62	148.07	159.39	249.26	254.34
<i>Less: Special or Non-Recurring Items</i>					
a) Special Grant to India.....		5.00			
b) Emergency Food Aid.....				25.50	
c) Advance to IBRD.....				4.55	
d) Cancellation of India Wheat Loan....				8.72	1.31
TOTAL.....	64.62	143.07	159.39	210.49	253.03
Addendum to Total Assistance Program					
Long-Term Export Credits under Section 21-A of the Export Credits Insurance Act.....	41.41	75.94	49.26	61.77	60.00 (est.)
Total (Including Export Credits).....	106.03	224.01	208.65	311.03	314.34 (est.)

Note: Long-Term Export Credits are included as part of Canada's total assistance in international measurements of aid that count towards the 1.0% of National Income Target.



Second Session—Twenty-seventh Parliament
1968

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

No. 3

Third Proceedings on the Report of the Department of External Affairs
for the year ended 31st December, 1966, with particular reference to
that portion which deals with External Aid.

WEDNESDAY, JANUARY 31, 1968

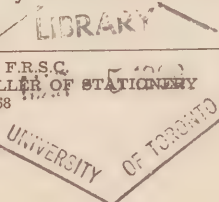
WITNESS:

External Aid Office: Maurice F. Strong, Director-General.

APPENDIX "C"

TABLES 13 and 14, as supplied by External Aid Office.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1968



THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable Senators

Benidickson,	MacKenzie,
Blois,	Macnaughton,
Boucher,	O'Leary (<i>Carleton</i>),
Cameron,	Pouliot,
Cook,	Quart,
Croll,	Rattenbury,
Farris,	Roebuck,
Fergusson,	Savoie,
Fournier (<i>De Lanaudière</i>),	Smith (<i>Queens-Shelburne</i>),
Gouin,	Thorvaldson,
Grosart,	Vaillancourt,
Haig,	Vien,
Hayden,	Yuzyk—(27).
Inman,	

Ex officio members: Connolly (*Ottawa West*) and Flynn.

(Quorum 7)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 2nd, 1967:

“With leave of the Senate,

The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Committee on External Relations be authorized to examine and report upon the Report of the Department of External Affairs for the year ended 31st December, 1966, tabled in the Senate on 22nd March, 1967, with particular reference to that portion which deals with External Aid; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.”

J. F. MACNEILL,
Clerk of the Senate.

ERRATA

The Words in *italics* were inadvertently omitted from the last paragraph of page 38, Proceedings of The Standing Committee on External Relations, No. 2, dated December 14, 1967:

“This included \$48.5 million in development grants; more than \$100 million in food aid—\$77 million of that for India alone with \$21 million as *special supplement*; *debt forgiveness of another 8.72 million*; \$50 million in development loans; \$41.49 million in multilateral grants and advances; and \$61.7 million in export credits.”

MINUTES OF PROCEEDINGS

WEDNESDAY, January 31, 1968.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 2:00 p.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Cameron, Cook, Fergusson, Fournier (*De Lanaudière*), Grosart, Haig, MacKenzie, Macnaughton, Pouliot, Quart, Vaillancourt and Yuzyk—13.

Present, but not of the Committee: The Honourable Senators Aird, Burchill, Gélinas, Leonard and Molson—5.

The following witness was heard: *External Aid Office*, Maurice F. Strong, Director-General.

It was agreed to print as Appendix "C", Tables 13 and 14, as supplied by the External Aid Office.

At 3:00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

Ottawa, Wednesday, January 31, 1968.

The Standing Committee on External Relations, to which was referred the report of the Department of External Affairs for the year ended December 31, 1966, with particular reference to that portion thereof which deals with external aid, met this day at 2 p.m.

Senator Gunnar S. Thorvaldson (Chairman) in the Chair.

The Chairman: Honourable senators, we have a quorum, so we are able to proceed with this meeting.

You will recall that the last meeting of the committee was on Thursday, December 14, 1967. At that time Mr. Strong, the Director General of the External Aid Office, who is with us again, had with him quite an extensive brief or statement which he proceeded to present to the committee. Naturally, there were many questions and, consequently, he was only able to deal partially with the brief and much of it remains to be discussed. However, we decided to have the complete brief printed as an appendix to *Proceedings* No. 2 for Thursday, December 14, 1967. Consequently, I have suggested to Mr. Strong, and he has agreed, that we should continue from where he left off at that time. Because his material was published as an appendix I am expecting that he will propose to summarize this material. I have suggested to him that he submit to questioning in regard to the points as we go along. Is that satisfactory?

Senator Pouliot: Mr. Chairman, there is one thing that I do not understand in the whole business. It is the matter of Francophonie. I wonder if Francophonie has anything to do with the Department of External Affairs. If so, is there anything for Anglophonie? You have something for those who speak French. I would like perhaps something for those who speak English.

Hon. Senators: Hear, hear.

Senator Pouliot: It would be fair, but at the present time I think that Anglophonie has been completely ignored and left aside. You speak of Francophonie, and it ends in the mighty sign of the dollar, because the more we pay the more we are Francophonias.

The Chairman: Thank you, Senator Pouliot. I am sure these problems will arise during Mr. Strong's presentation, and there will be an opportunity to discuss such matters.

Senator Pouliot: No, I would not interfere with his presentation, but when I spoke of Francophonie Mr. Strong nodded approvingly and, therefore, I would like to know what it is.

Mr. Maurice F. Strong, Director General, External Aid Office: Mr. Chairman and honourable senators, I will attempt to deal with the question the honourable senator has raised, as I perceive it.

As the chairman has mentioned, there was published as Appendix "B" to the report of the meeting of this committee on Thursday, December 14, 1967, a statement that I had prepared for presentation at that time, but which I was unable to present in full. I am sure those who were present will recall that we went into a number of the questions that this paper dealt with, but we did not really deal with the paper as a whole. As suggested by the chairman, perhaps it would be best to use this as the basis of my presentation at the hearing this afternoon, but not attempt to go over it in detail because that detail is available now. I will use it as a guide to give you a general perspective of the aid program, and then to go over those particular points about which you have questions. So, this is what I will do. I will not attempt to weary you by reading this whole document, but I will use it in making my remarks.

At the first meeting of this committee we dealt with the general problem of development in the world, and it is the intention of

these remarks to deal with Canada's particular role in the aid field.

As you know, Canada's program on this began in 1950 when we were joined with a number of other Commonwealth nations in founding the Colombo Plan. Since that time the Colombo Plan has been the principal avenue through which Canadian aid funds have flowed to the developing countries. In fact the Colombo Plan today accounts for some 50 per cent of our total aid expenditures, and, on a cumulative basis, some three-quarters of the total amount of aid that we have given since the inception of that plan has, in fact, gone out under the umbrella of the Colombo Plan.

So, any discussion of aid has got to begin with the Colombo Plan, and the Colombo Plan has got to figure prominently in any discussion of the Canadian aid program.

Senator MacKenzie: Do the West Indies come under the Colombo Plan?

Mr. Strong: No, they do not. In fact, just to complete this historical survey, it was in 1958 when we started a program of assistance to the Caribbean. As honourable senators will recall, this was the year in which the ill-fated West Indies Federation was mounted, and in an attempt to support the move towards independence of these islands which took place at that time we initiated a program of assistance to the West Indies.

Now, when the Federation collapsed in 1962 Canadian aid continued to this area, but it was directed obviously to the support of the political units that then existed. Canadian aid to the Caribbean has now reached the point of some \$17.2 million per year. On a per capita basis it is greater than the aid that we give to any other country. So, the Caribbean area figures very prominently in our aid program.

Senator Pouliot: If you will permit me, Mr. Chairman, I should like to point out that the aid was greater than that because money was lent by Canada without interest.

Mr. Strong: Yes. I should point out that when I refer to aid and total aid, the expenditures I am generally referring to comprise both grants and loans. When we talk about an aid target of one per cent of gross national product we are including not only grant aid and aid in the form of loans on specific terms, but we are including also for this

purpose loans given by E.C.I.C. on commercial or near-commercial terms.

Senator Pouliot: But you cannot take into account the interest which is not charged.

Mr. Strong: No, we are just talking about the total principal sums, and not interest.

Senator Pouliot: What I say is that that total is greater than the one you have mentioned; that is, if we calculate the interest that has not been charged on the loans.

Mr. Strong: Well, this is one way of looking at it.

Senator Pouliot: It is the only way, unfortunately.

Mr. Strong: Now, getting back to the honourable senator's first comment, in respect of the African program in particular—the Francophone program—our first assistance to Africa was to Anglophone Africa in 1960 when we joined with other Commonwealth countries in what is known as the SCAAP program—the Special Commonwealth African Assistance Program. That was in 1960, and it was followed very quickly in 1961 with the beginning of a program of assistance to the then newly independent countries of Francophone Africa.

Four years ago we commenced a new program of assistance to Latin America. This program in Latin America, which in a sense added that whole continent to the list of those receiving Canadian aid, had a rather different feature from any of the other programs in that our funds in that area are channelled entirely through the Inter-American Development Bank, and our program consists of a development loan program to which we have made available in each of the last four years a sum of \$10 million for loans on soft terms.

Senator MacKenzie: Is Mexico included in this?

Mr. Strong: Yes, Mexico is included in this. As a matter of fact, all Latin America, defined as being the continent of South America and Central America, is under that program. I have just been reminded that the exception is Cuba, because Cuba is not a member of the Inter-American Development Bank.

Senator MacKenzie: And for other reasons.

Mr. Strong: I am in a position only to report the facts of the situation. By 1964 the

Canadian program geographically covered all of the continents. We have obviously not covered them all equally in terms of availability of funds. I have already mentioned that the Caribbean received on a per capita basis the largest amount of Canadian aid. I referred to the dimensions of our Latin American program. The Colombo Plan is still by far the largest, and this of course embraces the countries of Southeast Asia, in particular India, Pakistan, Ceylon and Malaysia. We also have a significant program primarily in the medical field in South Vietnam.

In Africa there are the Francophone program and the Anglophone program. We do not actually distinguish them quite that way, but if you consider the Anglophone program to apply to those countries like Ghana, Nigeria, Kenya, Tanzania and Uganda, these are English-speaking countries and former members of the British sphere of influence. The Francophone countries are French-speaking countries, amongst which are included Senegal, Tunisia, Morocco, the Cameroons, Rwanda and a number of other countries.

Senator MacKenzie: Algeria?

Mr. Strong: Algeria, yes, and a number of others. They receive Canadian aid.

Senator Pouliot: You have a great gift, Mr. Strong. You are gifted with a good sense of humour.

Mr. Strong: Thank you, senator. I can assure you that a sense of humour is very necessary in this business.

Senator Pouliot: I am fascinated by your reference to the Francophone countries. I should like to know if the French or English language counts in matters of subsidy.

Mr. Strong: The language factor is not important, except in our capacity to provide the kinds of skills and services requested by these countries. It might interest honourable senators to know that in Africa we are realizing the unique value of Canadian assistance. We have had a number of interesting requests and expressions of interest in the provision of French-speaking teachers to English-speaking states in Africa, and the reverse for the French-speaking states. We have found that these African countries are discovering that they are neighbours now, that they must have relationships with each other which are closer than perhaps they

have had in the past, that they have to learn to understand each other's opinions. We have discovered that Canada is now looked to to an increasing extent to bridge this kind of gap. I think this really means that Canada has something of a special role in Africa at least in this context.

Senator Pouliot: What role has UNESCO?

Mr. Strong: UNESCO has a big role in the general educational field. Our department is concerned indirectly with what UNESCO does, but more particularly our job is to administer the Canadian bilateral arrangement.

Senator Pouliot: Do you pay the teachers who go there?

Mr. Strong: Oh, yes, the teachers who go out under External Aid auspices are paid by our office.

Senator Pouliot: With a travelling account?

Mr. Strong: Reasonable but not excessive expense accounts.

Senator Pouliot: No, but the Government pays for that.

Mr. Strong: Indeed, sir, yes.

Senator Pouliot: I think that the Canadian Government's subsidies are like the trade winds, they cover the earth.

Senator Haig: In the aid that Canada gives to countries is there any aid given by Canada to students who want to come to Canada for scholarship aid?

Mr. Strong: Yes, there will be this year slightly over 3,000 foreign students at Canadian universities or trainees at other Canadian institutions, and these are financed under External Aid. They come here for periods varying from a few months for special courses to several years for long-term degree courses.

Senator Haig: But that is all included in your External Aid costs. It is the outflow and the inflow.

The Chairman: Yes.

Mr. Strong: Yes, indeed.

Senator Macnaughton: Is there a regular follow-up on these students once they are here in Canada?

Mr. Strong: Oh, yes, the training division in the External Aid office is one of the largest divisions, and it is large because of the growing number of students it is called upon to service. We do keep in close touch with them and in close touch with the universities and institutions in which they are receiving their training.

Senator MacKenzie: Concerning the percentage of graduate professional students versus the undergraduates, have you anything on that?

Mr. Strong: I can get that information for you, Senator.

Senator MacKenzie: That is the reason I asked the question. You can get that later and put it in the record.

Mr. Strong: Yes.

Senator Cameron: There was one observation that Mr. Strong emphasized, which is to the effect that Canada is fortunate in being a bilingual country in terms of its offering. It is almost a double-barrelled offering. But out of that contribution to the Francophone area is there any difficulty in getting enough trained engineers or people of technical ability from French-speaking Canada to go into this area?

Mr. Strong: No. As a matter of fact it is very interesting to note here that there are a surprising number of French Canadians with technical competence who are willing to go out. As a matter of fact, even in places like east Pakistan, which I visited on my trip last spring, I found Canadian engineers in that part of the world—which is as you know primarily English speaking—were French Canadians as well. French Canadians do very well overseas in French countries and elsewhere, and I would say this is not at the moment a constraint on our program in French-speaking Africa.

Senator Pouliot: Do those African countries do something for Canada in return for the help that they are receiving?

Mr. Strong: Well, of course, the honourable senators will appreciate that this assistance program is designed really to help them with their economic and social development. It is not envisaged that we would look at it in terms of the direct return that Canada gets but rather in terms of Canada's pro rata contribution as one of the more affluent

nations of the world to the problem of development of the world as a whole. I can only interpret the policy as I understand it, but I believe it is quite clear that this is the basis for Canadian policy and not any expectation of any immediate or direct matching return.

Senator Pouliot: The left hand ignores what is given by the right hand?

Mr. Strong: I think it might perhaps be better to say that the left hand watches what the right hand is doing but does not try to equate the two activities directly.

Senator Pouliot: Who invented that scheme of external aid?

Mr. Strong: As a matter of fact I think historically the aid schemes have their genesis in the early missionary programs of the church, but it was only after World War II—when extensive Government assistance took shape and we attempted, under the Marshall Plan particularly, to help rebuild Europe—that this scheme took shape. I believe we covered that in the first presentation made before this committee.

Senator Haig: Mr. Chairman, as mentioned, Uganda received in 1966 and 1967 a total of \$1.2 billion. They made application to you and then you investigated the reasons for their asking for the aid, is that right?

Mr. Strong: Yes. That is essentially the situation. The Canadian Government of course determines generally where and to which countries its aid funds are to be allocated, and then we let these countries know the general level of the allocations that are likely to be available to them and the kinds of things that we might be able to do with these funds, the kind of Canadian goods and services we are in a position to provide and the kind of projects we would be interested in considering and against this they make specific requests to us and then we examine these requests with them particularly in the light of Canadian capacity to meet the request.

Senator Cameron: When these requests come are they in the form of projects of which they spell out the details? Even internally and using government funds particularly in federal-provincial arrangements, the province must spell out the project and say how the money is going to be spent. Do they do the same thing?

Mr. Strong: Ideally that is the case and some of the countries like India, Pakistan and Ceylon which have developed a rather sophisticated machinery for processing requests get the requests from each of their own government departments of industries and they process them in their planning department or the equivalent, and then they look at the total amount of funds available from the countries like Canada and then look at the best competitive sources for the goods and services they require and on that basis they formulate requests to Canada and to other countries who are assisting. These are all co-ordinated by a consultative group set up by the World Bank. However, when you look at some of the smaller countries, more recently independent and with less experience in the development of economic and social planning, there is less familiarity with what is available. Obviously their requests will come in a more rudimentary form. So then in order to make sure that we just don't sit back inertly and wait until somebody asks us for something, Canada actually creates a dialogue with these people and so out of this dialogue the projects emerge. It is a matter of telling them what we can do and they tell us what they can do.

Recently as part of a change in the External Aid Office we have developed a much more comprehensive method of analysing project requests and of setting out for the countries concerned in some detail the kind of data that we require before we can process a request and we follow this 'right through' as part of our machinery. We are giving them considerably more help in formulating requests so they can be processed and this has obviously resulted in a more expeditious response.

Senator Pouliot: Do you deal with the governments concerned directly or with the embassies?

Mr. Strong: There are Canadian missions in each country who represent the External Aid Office in all relationships on the spot.

Senator Pouliot: But do they deal direct with the governments or do you deal with the embassies?

Mr. Strong: They deal with the government of each country. Now, perhaps in the light of the trend of the questions you will forgive me if I don't take this exactly in sequence.

Senator MacKenzie: I have found on the basis of my own experience both in Canada and in Africa that by and large it seems to be advisable to have as many undergraduates as possible accomplish more work at home.

Mr. Strong: If I might comment on that, we have tried to evaluate from our own experience in this area and generally speaking we share that view and we are moving in the direction of looking for opportunities in what they call a third country training. This is something that is under consideration and which at times comes in for a good deal of comment. I have just received from Mr. Drake the answer to the specific question that was asked earlier. Approximately one-third of the trainees come to Canada and receive practical training in industry, government and medicine. About one-third are graduates, about one-third are undergraduates.

Now, to accommodate my presentation to the trend of the questions that seem to be most in evidence, we have talked about geographical areas but it might be worthwhile mentioning that while our program does reach each of the continents now, we have concentrated on a relatively small number of countries. In fact, some three-quarters of Canadian aid is directed to a total of about 12 or 13 countries, or areas of these countries—in Asia, India, Pakistan, Malaysia and Ceylon, South Vietnam being a special case; in Africa, Tunisia, Senegal, Cameroun, and Rwanda; the Caribbean, although not one country, it is an area which in some degree is relatively homogeneous; and Latin America we consider as an area because our program there is not directed to a particular country but funds are available to finance programs in any country that draws up projects that meet our criteria.

Senator Pouliot: If they are not within the Commonwealth, do you give aid to countries that do not belong to the Commonwealth?

Mr. Strong: Yes, indeed. Of course, Latin American countries, except for British Honduras and Guyana, are all outside the Commonwealth. I am sorry, in Africa I missed Nigeria and Ghana. I thought the list seemed a little short.

We also have a fair program in the countries of East Africa: Uganda, Kenya and Tanzania.

Senator MacKenzie: Have you any contact with Zanzibar any more?

Mr. Strong: It is part of Tanzania.

Senator MacKenzie: After a fashion.

Mr. Strong: Politically, it is part of Tanzania.

Senator MacKenzie: We have no representation in Zanzibar?

Mr. Strong: No, we have nobody on the Isle of Zanzibar.

Senator Pouliot: What about former French colonies like Madagascar?

Mr. Strong: Most of them are former French colonies. It receives a very small amount.

Senator Pouliot: Do you rely on Francophonia?

Mr. Strong: One of the most interesting projects in prospect recently involves three countries in West Africa, two French-speaking and one English-speaking, in a regional development that will involve all three of them and require obviously interchange in both the French and English languages.

Senator Pouliot: When Africans or Asians come to Canada to study, they have a definite time for their study—two years, three years—and after that they have to go home?

Mr. Strong: Indeed.

Senator Pouliot: And sometimes they insist on staying after they have completed their course?

Mr. Strong: Yes. This is a problem, there is no question about that. A number of students desire to stay in Canada on the completion of their training. The number has not got to the point where it is a really serious problem, but it is certainly one of a constant source of interest and concern to us. All the students undertake to us and to their own government before coming out here that they are coming out to receive training to fit them to make a contribution to the development of their own country. Therefore, we take the position that, this being the purpose of the training and this being understood by all involved, they have an obligation to leave. There are things that happen in the personal lives of these people that occasionally require exceptions to be made. But we feel and do, in fact, take a very strong position on this matter and insist that, unless there are the most compelling

reasons for making exceptions, we require them to return to their home country.

Senator Pouliot: One of the most compelling reasons would be the scarcity of medical doctors in Canada. There was a Vietnamese student who had achieved outstanding success in his medical studies. He received a doctor's degree, and he had to go home, to return to Vietnam, instead of staying here. I think when the Government is spending so much money for the education of a foreigner, and the foreigner makes good use of it, then it would be just as well to keep him here.

Mr. Strong: This is always a very difficult problem, but I think our understanding of the reasons why the Canadian Parliament makes available these funds for training—

Senator Haig: It is done to help the home country.

Mr. Strong: Exactly. It is costly to bring these people here. The training they receive is training that is badly needed in their own countries. We feel that we are under an obligation to ensure that that training is put to use.

Senator Grosart: Do any of the recipient countries have any requirements vis-à-vis the students when they come to Canada to return, in the way of passport regulations or any other regulation?

Mr. Strong: This is true, generally speaking. Some of them are more rigid in making these requirements in the first place than others, and place greater importance on enforcing them than others. But, things can change in the recipient countries. You get situations like the Nigerian situation with respect to Biafra where there is civil disorder or rebellion. You can get something that makes it very difficult for a person to go back. There was the Rhodesian situation which caught a number of students outside Rhodesia. There is a number of things which are not of the making of the individual students that have to be taken into account, but we take seriously the obligation we believe we have to see to it that the funds voted for this purpose are in fact used for this purpose.

Senator Pouliot: Mr. Chairman, I have a question to ask, and I will ask you, in all deference, to decide whether it is in order. It is about Francophonia. I am fed up with it, because I believe that language cannot be the basis of the foundation of a country. It was

tried in the first century of the British régime, and without success. Now what is the use of speaking of Francophonia, and what benefit will come from it? That is my question.

The Chairman: Senator Pouliot, I think we will accept your remarks as more of a statement than a question, because I doubt that this is really relevant to what we are attempting to do today. Would you mind if we proceed, and try to direct our questions—

Senator Pouliot: Not at all. I leave it to you, Mr. Chairman.

The Chairman: Yes. Let us all try to direct our questions to the matters that Mr. Strong is really dealing with.

Senator Pouliot: The remark is in black and white. I will not insist any more.

The Chairman: Yes, it is on the record.

Senator Macnaughton: This sounds like a repetition of the question I asked originally, but is there any follow-up made in respect of these foreign students in Canada. One sees them wandering about all over the place, and wonders about the reception they get in this country and the impressions they will take back with them. This can have a tremendous sales effect in practice. I know that the Germans have practised this for years. The students going there are trained as bankers and assistant bankers, and when they go back to their own countries they do all their financing through Germany. Can you take any steps to give social entertainment to these people? I know that once a year we have a dinner up here given by the Speaker of the Senate or the Speaker of the House of Commons, or both—

Senator Pouliot: It was boring.

Senator Macnaughton: Well, you were not the main speaker, senator.

Senator Pouliot: I refused to go after that. It was a dull evening.

Senator Macnaughton: I think you know what I am getting at, Mr. Strong.

Mr. Strong: As you know, we in External Aid have a special obligation in respect of those students who are brought out under External Aid auspices, but there are many other students who come to Canada under

other auspices—either their own or the auspices of private organizations. Now, we have in fact recently been doing a great deal to strengthen our program of servicing the students who come here under External Aid auspices. We also provide a certain amount of money to the Canadian Service for Overseas Students and Trainees, which is a private organization that helps to serve generally the needs of foreign students in Canada.

While we do not have a direct obligation to help all these students we are now broadening our view of this problem to have a look at the needs of all students, because we think you cannot look at what is happening to the external aid program in isolation from what is happening in relation to other students.

This is good work and is done primarily by the universities themselves, and private organizations working closely with the universities. I do think this is something, with the expanded number of students in Canada, which needs very close attention, and I am not satisfied that Canada as a whole is doing everything it could in this field.

Senator Fergusson: Do we subsidize these private organizations to any extent?

Mr. Strong: Only the Canadian University Service Overseas at this point. However, this might be an appropriate place at which to mention the fact that some two or three months ago the Government announced that as of April 1, subject to the approval of Parliament, a new program will be introduced under which the External Aid Office will for the first time be able to make direct grants to projects and programs undertaken by private agencies. A good deal of this will go initially to CUSO because caught up in this program will be the support that is now provided by the Government to the CUSO organization.

Senator Haig: What assistance do you give to CUSO?

Mr. Strong: In the current year the total amount appropriated is \$1,800,000 and something.

Senator Haig: Where does that go? I met some students when I was overseas who were paid by the local government.

Mr. Strong: One of the features of the CUSO program which is very desirable from many viewpoints and reduces its cost to the Canadian public is the fact that CUSO people

go out on specific requests to fill posts for which their services are requested by local governments and local institutions, and they are paid at the local rate by those institutions. This means they are wanted and desired, that they are doing a job which local people feel is desirable. However, there are a lot of other costs. There are the costs of getting there, training, recruiting, paying for extra expenses over and above what are borne by the receiving country. This enables us to send people out at a net cost to the Government of only some \$2,000 a year compared with over \$8,000 per volunteer, being the cost of the United States Peace Corps program.

Senator Haig: Does the External Aid Office give any assistance in academic work, such as facilities, books, and so on, to CUSO students or teachers?

Mr. Strong: We have supported the book program of the Overseas Institute of Canada, which again is a private program. It gets books, with the assistance of other organizations across the country, and these books go not only to places where CUSO and external aid teachers are serving but other places as well. However, priority is given to those places where Canadian teachers are serving under either CUSO or external aid.

Senator Haig: I will have a discussion with you later on about this matter, Mr. Strong.

Senator Cameron: Reverting to Senator Macnaughton's question on social arrangements to create a good impression among the students, I think it is true to say that in most of the major Canadian universities there is an International House designed for this purpose. In addition to that I know that each Christmas for about a week we have some 200 international students at Banff. This is a very important element in the social integration program, and I can say without fear of contradiction that one of the most exciting nights in the year in Banff is the International Night when these overseas students put on their own Christmas type program. However, a lot more needs to be done. Something is being done through the International House on campuses, the Inter-Varsity Christian Fellowship, and so on.

Senator Pouliot: But Banff is 2,500 miles from Ottawa, and the climate is different.

Senator Cameron: But they come from Western Ontario to the west coast. It is not just a western affair.

Senator Pouliot: As nobody seems to be asking you any questions, Mr. Strong, I will ask you one last question myself. Will it be possible to have a list of the loans made without interest to the West Indies or to any other country by Canada, mentioning the amount of the loan, the country and the date when the loan was made?

Mr. Strong: Indeed. This we can provide very readily. We have it right here. But rather than do that I could perhaps have it put into the record or provided to the senator and the other senators.

Senator Macnaughton: Put it in as an appendix.

Senator Pouliot: That would be very good. I asked Dr. Davidson for that information but I was not successful.

Senator MacKenzie: I was going to change the trend of the discussion a little bit.

The Chairman: Before you do so, Senator MacKenzie, I really think it would be of interest to have on record that list of loans referred to by Senator Pouliot. We could put it on this record as an appendix. Would that be agreeable?

Some Hon. Senators: Agreed.

[See Appendix "C"]

Senator Pouliot: Thank you. That is very good.

Senator MacKenzie: I happen to know, on the basis of experience, from what I have been told and heard, that for very good and understandable reasons the work of the External Aid Department is in a sense handicapped by paper or bureaucratic rules and regulations. Now, it would not be proper for you to give a direct reply to this statement of mine and to the question whether there are things this committee in its report to the Senate could suggest in order to give you greater freedom of action in respect of the program you administer. I say that because I know of medical people who have gone out under External Aid and for months and months have not been sure whether they were coming or going and have not been sure of the arrangements that were made in respect of their support and maintenance and things of that kind.

As I say, it would be difficult for you or for any member of your department to, in public as it were, express yourselves too

freely on this subject, but I do think it important that, if we can, we should assist you in greater measure in terms of flexibility and freedom with respect to the administration of the program.

Mr. Strong: Mr. Chairman, I am certainly obviously grateful for the sentiments that the senator expresses. I can say that I do believe that through the Government apparatus generally there is a growing awareness of the fact that administering an aid program—extending to some 70 countries around the world, covering almost every aspect of Canadian life, connecting Canadians and their resources and institutions to corresponding institutions in these countries—is a very complex program which crosses cultural barriers and national barriers. I would have to admit that there are also quite a number of bureaucratic barriers which it has to cross at both ends—not only here.

I think there is an awareness in the Government of this situation and since coming here I have been impressed by the fact that certainly on the senior levels of Government there is a willingness to look at the means of streamlining our administration. It is often a little more difficult to make this streamlining effective in fact, but I think things are changing for the better and I am hopeful with the flexibility we now have and hope to have that we can remove some of these problems that have on occasion restricted our ability to give people like the doctors whom Senator MacKenzie mentioned, and others of the kind, the support that they deserve.

Senator Macnaughton: Well, we have a new director, have we not, and there has been a reorganization?

Mr. Strong: Yes, sir. I do not say that the new director can do much about it, but I do know that when I was asked to take this job on I was told very forcibly by my minister that this was one of the things he expected me to do.

The Chairman: We will hear Senator Fergusson and then Senator Fournier.

Senator Fergusson: I just wanted to make a comment. Mr. Strong mentioned the program of the Overseas Institute. This is not a question, but perhaps it is not out of place if I mention that I am very much interested in this program as I belong to the Overseas Institute.

When I was in Guyana about a year ago I found that they were receiving a great many books from the Overseas Institute here in Ottawa.

I went out with Mr. and Mrs. Gregg when they were being given to different schools, Moravian schools and other small schools like that in the back country. Unless you have visited them you cannot have any conception of how poor the people there are and the scarcity of books to work with or paper or anything like that. I want to put in a plug for the program of the Overseas Institute and for the work that they are doing and to mention the immense gratitude of the people who are receiving these things. It is practically unbelievable unless you have actually witnessed it.

The Chairman: Senator Fournier.

Senator Fournier (De Lanaudière): Mr. Chairman, in line with the remarks that have been made by Madame Fergusson, can you tell me if the people living in the countries receiving aid from Canada, the population at large, are informed as to the other countries that are looking after their interests?

Mr. Strong: I am not sure I understand exactly what the honourable senator has in mind.

Senator Fournier (De Lanaudière): Is there much publicity given in those countries to the aid that Canada is giving them?

Mr. Strong: Yes, indeed, and sometimes the amount of publicity we receive for what we regard as a relatively small amount of aid is almost embarrassing in its scope. At other times something major is done which does not seem to get the attention it deserves. But by and large I have found that there is a great deal of public attention and public awareness of the aid that Canada is giving in these countries. I have encountered this both in my personal trips around the world and in the trips I have made officially. Also we receive frequently from the developing countries copies of newspaper articles and other things that suggest there is generally a pretty high degree of awareness of this.

Senator Haig: How is the money disbursed? Is it given to the Government concerned or how is it disbursed?

Mr. Strong: Well, the bilateral component of our program, the one directly administered by the aid office is provided by our financing

the provision of Canadian goods and services. What happens here is that when a project or a program has been agreed upon, the receiving country will purchase the goods and services that they require for the project in Canada and payment is made directly by us to the Canadian supplier. So in fact what happens is that the money is spent in Canada and it goes directly to the Canadian suppliers of these goods and services. However, there are certain exceptions which we have looked at recently to try to adjust some of the situations that arise—and these have been discussed earlier in this committee—by using the authority now given to us to provide up to 25 per cent of the total Canadian contribution in the form of goods of local cost.

Sometimes there are problems involved in the countries because of budgetary difficulties in finding the moneys for local costs. This is not a question of shortage of foreign exchange; it is a shortage of local budgetary funds. In special cases where we feel a project is particularly desirable and where the country has real budgetary problems locally in providing local cost components we have authority to do this.

Senator Cameron: Have you any figures to show what proportion of external aid funds are actually spent in Canada for Canadian goods?

Mr. Strong: Of the bilateral program the figure is something in the order of 90 per cent.

Senator Cameron: As much as that?

Mr. Strong: Yes.

Senator Cameron: Which means that the amount for services and the provision of teachers and technical assistants is in the 10 per cent range.

Mr. Strong: That is paid to Canadians. We include the cost of salaries paid to Canadians who are serving overseas.

Senator Cameron: Yes.

Senator Grosart: Mr. Strong...

The Chairman: Honourable senators, I know we have opened up a field here which is most interesting. I have also observed there is a tremendous amount of material that is covered in Appendix "B" of our December 14 *Proceedings* which has not even been touched upon, so if you will allow us to

adjourn now, Senator Grosart, we could continue with these points at our next meeting.

Senator Grosart: I have one question which comes directly out of Appendix "B" and directly out of the discussion. What percentage of the total voted for the External Aid Office is actually allocated in aid funds? In other words, what is your overhead?

Mr. Strong: The overhead is not actually included in the normal aid budget; it is part of the general administrative budget. The overhead figure is for the period ended March 31, 1968 and, is an estimated total administrative cost of about \$1,700,000, compared to a program which is over \$300 million—of course, not all administered directly by us, but I think this is a pretty low ratio of overhead to total budget by any standards, even commercial ones.

Senator Fournier (De Lanaudière): Congratulations!

Senator Pouliot: Following the last question, Mr. Strong, were there any repayments made by foreign countries of Canadian external aid?

Mr. Strong: Repayments are made. On our own development loans we have not actually started to receive any repayments, I think. On the export credit loans, which for international accounting are included in aid but are not administered by our office, payments are being made all the time.

Senator Pouliot: On the International—Industrial Bank arrangements?

Mr. Strong: If you are talking about the World Bank, the World Bank does it differently. We subscribe capital to the World Bank and also make available additional funds through the International Development Association, and these funds, together with funds the World Bank raises through capital issues, one of which was reported in Canada in the last few days—

Senator MacKenzie: As a matter of procedure, Mr. Chairman, we will have to adjourn in a moment, and I take it we will have an opportunity of hearing from Mr. Strong again.

The Chairman: Yes.

Senator MacKenzie: When we have completed this part of our program, I would like to think that we would have further sessions

on the question of Canadian foreign policy, particularly in respect of NATO and NORAD and, possibly, Vietnam, and that we might hear the minister and his deputies, so that in due course we could get some really expert opinion about these matters.

The Chairman: If I may just say this, we want to complete the evidence that we want from the External Aid Office, and there is a great deal more, I think, that will need to be covered by Mr. Strong.

Senator MacKenzie: I know that. It is an excellent and interesting presentation.

The Chairman: And afterwards the steering committee of this committee will be asked to meet to decide on the projects we will have for future meetings.

Senator Pouliot: Mr. Chairman, Mr. Strong is the friendliest witness we have ever had before this committee.

Mr. Strong: Thank you senator.

Senator Haig: I move we adjourn.

The committee adjourned.

Standing Committee

APPENDIX "C"

TABLE 13

Special Development Loans Approved

(\$ Million Canadian)

Project	Date signed	Amount approved	Rate	Terms maturity	Grace
COLOMBO PLAN					
CEYLON					
Asbestos 1965.....	Jan. 11/66	1.000	3%	50 yrs.	10 yrs.
Natunayake Airport.....	Mar. 12/66	1.5	3%	50 yrs.	10 yrs.
Asbestos 1967.....	Sep. 8/67	.5	0%	50 yrs.	10 yrs.
		3.000			
INDIA					
Fertilizers.....	Jul. 28/67	10.	0%	50 yrs.	10 yrs.
Idikki Dam.....	Oct. 27/67	19.5	0%	50 yrs.	10 yrs.
Geological Survey.....	Jul. 28/67	9.0	0%	50 yrs.	10 yrs.
Diesel Locomotives.....	Apr. 20/66	2.150	3%	50 yrs.	10 yrs.
Non-project Non-Commodity.....	Feb. 21/67	11.85	0%	50 yrs.	10 yrs.
Main Line Locomotives.....	Dec. 28/66	7.00	0%	50 yrs.	10 yrs.
Industrial Commodities.....	Oct. 27/67	10.0	0%	50 yrs.	10 yrs.
		50.000			
KOREA					
Dairy Development.....	Sep. 15/67	1.0	3%	30 yrs.	7 yrs
		1.000			
PAKISTAN					
E. W. Transmission Line.....	Mar. 17/67	10.0	0%	50 yrs.	10 yrs.
Karachi Nuclear Power.....	Dec. 29/65	23.263	3%	50 yrs.	10 yrs.
Fertilizer Loan.....	Oct. 13/67	5.0	0%	50 yrs.	10 yrs.
Commodities Loan.....	Oct. 13/67	6.0	0%	50 yrs.	10 yrs.
		44.263			
THAILAND					
Comprehensive School Equipment.....	May 9/67	1.0	0%	40 yrs.	10 yrs.
		1.600			
CARIBBEAN					
GUYANA					
Aerial Survey.....	Nov. 3/66	1.800	0%	50 yrs.	10 yrs.
		1.800			
JAMAICA					
Rural Schools.....	Jul. 19/66	1.550	3%	50 yrs.	10 yrs.
Olivier Bridge.....	Sep. 7/65	.700	3%	50 yrs.	10 yrs.
Harbour View Sewerage.....	Sep. 7/65	.925	3%	50 yrs.	10 yrs.
VHF Radio Telephone System.....	Nov. 1/66	.500	3%	50 yrs.	10 yrs.
Public Works Equipment.....	Nov. 1/66	.800	3%	50 yrs.	10 yrs.
Small Bridges.....		.300	3%	50 yrs.	10 yrs.
May Pen Hospital Equipment.....		.475	3%	50 yrs.	10 yrs.
Low Cost Housing.....	Feb. 27/67	.575	3%	30 yrs.	7 yrs
Pre-investment and Feasibility Studies.....	Aug. 2/67	1.000	3%	30 yrs.	7 yrs.
Eastern St. Mary Water Distribution Scheme.....	Aug. 2/67	1.200	3%	30 yrs.	7 yrs.
		8.025			
TRINIDAD & TOBAGO					
Port Equipment.....	Jul. 18/66	.350	3%	50 yrs.	10 yrs.
Factory shells.....	Apr. 26/66	1.250	3%	50 yrs.	10 yrs.
Port Warehouses.....		.250	3%	50 yrs.	10 yrs.
Rural Electrification.....	Dec. 15/65	.650	3%	50 yrs.	10 yrs.
Aerial Survey.....	May 13/66	.750	3%	50 yrs.	10 yrs.
Housing Program Lumber.....	Dec. 15/65	.400	3%	50 yrs.	10 yrs.
Transport Study.....	Feb. 24/66	.400	3%	50 yrs.	10 yrs.
Water Resources.....	May 13/66	.340	3%	50 yrs.	10 yrs.
Dairy Development.....	Apr. 26/66	.500	3%	50 yrs.	10 yrs.
		4.890			
EASTERN CARIBBEAN					
Barbados Dairy Development.....	Sep. 30/67	.250	0%	50 yrs.	10 yrs.
		.250			

External Relations

59

TABLE 14

<i>Project</i>	<i>Date signed</i>	<i>Amount approved</i>	<i>Rate</i>	<i>Terms maturity</i>	<i>Grace</i>
LATIN AMERICA					
ARGENTINA					
Pre-feasibility Studies.....	Feb. 21/67	.756	3%	50 yrs.	10 yrs.
		.756			
MALAYSIA					
Mining and Industrial Equipment.....	Feb. 28/67	1.620	3%	30 yrs.	7 yrs.
		1.620			
CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION					
Various projects.....	Apr. 26/67	3.78	3%	50 yrs.	10 yrs.
		3.78			
CHILE					
State Technical University.....		4.32	3%	50 yrs.	10 yrs.
Telecommunications.....		4.32	3%	30 yrs.	7 yrs.
		8.64			
ECUADOR					
River Basin Planning Survey.....	Aug. 5/66	1.260	3%	50 yrs.	10 yrs.
		1.260			
EL SALVADOR					
Port Development.....	May 5/66	3.240	3%	35 yrs.	4 yrs.
		3.240			
MEXICO					
Pre-investment Studies.....	Mar. 31/67	.540	3%	50 yrs.	10 yrs.
		.540			
PARAGUAY					
Highway Studies.....	Nov. 9/66	.800	3%	50 yrs.	10 yrs.
		.800			
PERU					
Pre-feasibility Studies.....		.540	3%	50 yrs.	10 yrs.
		.540			
COMMONWEALTH AFRICA					
NIGERIA					
Communications Cable Phase II.....	Nov. 5/65	3.500	6%	25 yrs.	5 yrs.
Communications Cable Phase III.....	Apr. 4/67	1.6	0%	50 yrs.	10 yrs.
		5.100*			
TANZANIA					
Transmission Lines.....	Jan. 26/67	2.000	0%	50 yrs.	10 yrs.
Town Planning (Dar-es-Salaam).....	Dec. 23/66	.450	0%	50 yrs.	10 yrs.
		2.450			
GRAND TOTAL.....		162.454			

*25% of this amount is to cover local costs and will be at 3% interest.



Second Session—Twenty-seventh Parliament

1968

THE SENATE OF CANADA
PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
EXTERNAL RELATIONS

The Honourable G. S. THORVALDSON, *Chairman*

No. 4

*Fourth Proceedings on the Report of the Department of External Affairs
for the year ended 31st December, 1966, with particular reference to
that portion which deals with External Aid.*

WEDNESDAY, FEBRUARY 14, 1968

WITNESS:

External Aid Office: Maurice F. Strong, Director-General.

APPENDIX "D"

*Statement by Mr. Strong on Canadian Development Assistance to the
Commonwealth Caribbean.*

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1968

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable G. S. Thorvaldson, *Chairman*

The Honourable Senators

Benidickson,
Blois,
Boucher,
Cameron,
Cook,
Croll,
Farris,
Fergusson,
Fournier (*De Lanaudière*),
Gouin,
Grosart,
Haig,
Hayden,
Inman,

MacKenzie,
Macnaughton,
O'Leary (*Carleton*),
Pouliot,
Quart,
Rattenbury,
Roebuck,
Savoie,
Smith (*Queens-Shelburne*),
Thorvaldson,
Vaillancourt,
Vien,
Yuzyk—(27).

Ex officio members: Connolly (*Ottawa West*) and Flynn.

(Quorum 7)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 2nd, 1967:

"With leave of the Senate,
The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Bourget, P.C.:

That the Standing Committee on External Relations be authorized to examine and report upon the Report of the Department of External Affairs for the year ended 31st December, 1966, tabled in the Senate on 22nd March, 1967, with particular reference to that portion which deals with External Aid; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MACNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 14, 1968.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 2:00 p.m.

Present: The Honourable Senators Thorvaldson (*Chairman*), Croll, Fergusson, Fournier (*De Lanaudière*), Gouin, Grosart, Inman, MacKenzie, Macnaughton, Pouliot, Quart and Smith (*Queens-Shelburne*)—12.

Present, but not of the Committee: The Honourable Senators Dessureault and Gélinas—2.

On motion of the Honourable Senator Croll it was *Resolved* to report recommending that the 800 copies in English and 300 copies in French of its proceedings be increased to 1,000 copies in English and 400 copies in French.

The following witness was heard: *External Aid Office:* Maurice F. Strong, Director-General.

On motion of the Honourable Senator Quart, it was resolved to print as an Appendix of today's proceedings a statement by Mr. Strong intitulated *Canadian Development Assistance to the Commonwealth Caribbean*.

At 3:03 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

REPORT OF THE COMMITTEE

WEDNESDAY, February 14th, 1968.

The Standing Committee on External Relations makes its second Report as follows:

Your Committee recommends that the printing of 800 copies in English and 300 copies in French of its proceedings be increased to 1,000 copies in English and 400 copies in French.

All of which is respectfully submitted.

G. S. Thorvaldson,
Chairman.

THE SENATE

STANDING COMMITTEE ON EXTERNAL RELATIONS

EVIDENCE

Ottawa, Wednesday, February 14, 1968.

The Standing Committee on External Relations, to which was referred the report of the Department of External Affairs for the year ended December 31, 1966, with particular reference to that portion thereof which deals with external aid, met this day at 2 p.m.

Senator Gunnar S. Thorvaldson (Chairman) in the Chair.

The Chairman: Honourable senators, ordinarily we would not require a motion to print the proceedings of this committee. However, the clerk of this committee advises that there is a very strong demand for copies of the proceedings and whereas we originally had a motion for the printing of 800 copies in English and 300 in French, we now find that very few copies are left and consequently I would ask for a motion to print 1,000 copies in English and 400 copies in French.

The committee agreed that a verbatim report be made of the committee's proceedings.

The committee agreed to report recommending authority be granted for the printing of 1,000 copies in English and 400 copies in French of the committee's proceedings.

Honourable senators, I will now ask Mr. Strong, Director General of the External Aid Office, to proceed from where he left off at our last meeting.

Senator Croll: Mr. Chairman, may I ask a question at the outset? Mr. Strong, the newspapers report that the Honourable Mr. Chevrier, along with a group of other people, has been visiting what was formerly colonial France with the idea of ascertaining their needs there with the idea in mind, I suppose of giving them some assistance. The reports are rather sketchy and I wonder if you could tell us what it is all about.

Mr. Maurice F. Strong, Director General, External Aid Office: Mr. Chairman, honourable senators, this mission to which Senator Croll has referred left several days ago to visit French-speaking states in West Africa. The purpose of their visit is to ascertain the present status of discussions we have had over a period of some months with a number of these countries concerning specific aid projects and aid programs and to make known to the governments of these countries the various areas in which Canadian assistance is available and again to determine from them the specific needs to which these Canadian resources can best be applied.

I think I referred in some of my earlier comments to the fact that in the French-speaking states of Africa there had been some difficulties in developing a program of the size which is considered to be desirable from the point of view of its relationship to the total Canadian aid program, the reason for this simply being that these countries have been closely linked with France in the past and have not been closely linked with Canada, and therefore it takes time for them to be properly informed about the kind of projects with which Canada can best help them. So the constraint in the growth of our program in French Africa has been a kind of institutional restraint rather than a limitation in the amounts of money.

Senator MacKenzie: Do you think that this is something that should go under your auspices?

Mr. Strong: This is something in the nature of a high level technical mission. Mr. Chevrier has senior officers accompanying him from the External Aid Office and from the Department of External Affairs as well as local officers from our missions in the countries concerned and they are having discussions now with regard to the implementation of Canadian aid programs. This is part of a continuing

process whereby we have been attempting to identify specific projects and specific programs in Francophone Africa which would recommend themselves to the application of Canadian assistance.

Senator Croll: In other words a fact-finding group?

Mr. Strong: Fact-finding—I would prefer to use the word “facilitating” in the sense that it is a situation where Mr. Chevrier actually has authority to commit Canadian funds to projects, some of which have been in a state of development for some months, and some for even longer than that, because some are complicated projects that require some time to develop and a number are at the stage where subject to being assured that conditions are such that they can be processed the mission is armed with specific authority to commit itself.

Senator Croll: This is similar to the one that Humphrey took for President Johnson and he committed himself as he went along.

Mr. Strong: Well, it was designed. This one has been in the mill, we have been preparing for it in Canada and in our missions abroad for more than six months.

Senator Croll: All right, I have all the information I wanted on it.

The Chairman: Thank you very much, Mr. Strong. Perhaps you will proceed now with your statement.

Mr. Strong: I might deal, first of all with a couple of matters carried over from the discussion we had previously.

First of all, Senator Mackenzie on December 14th asked for further information on the criteria that we use or will use in the expenditure of the funds which, subject to the approval of Parliament, are to be allocated to non-governmental agencies programs from the External Aid program for private, voluntary agencies.

I might mention in that respect, and I could just outline here, the principal criteria we use.

Firstly, the organization to be eligible for this kind of support must be clearly identifiable as a Canadian organization.

Secondly, the organization must, by generally accepted standards, be efficiently operated and be capable, technically or otherwise,

of assuring the competent management of the project in question.

Thirdly, copies of the annual financial statements, or other relevant financial information, sufficiently documented to satisfy the Director General of the External Aid office of the status of all organizations, programs or projects being supported under this program, would be required.

Fourthly, assistance will be extended, at least in the initial instance, only through national or parent bodies, and not to individual chapters, branches, orders or parishes. This is because many agencies are far-flung, and it would be administratively impossible to deal with each branch or agency, so we are going to require, at least in the first instance, that we deal only with national organizations.

In terms of the projects themselves, the following criteria will be applied in actually selecting projects and programs eligible for support. The projects would have to be generally compatible with the policies governing Canada's overall External Aid program. Secondly, it would have to be demonstrated the programs or projects can make an effective contribution to the priority development needs of the country concerned—that is to say, the country in which the project would be operating.

Thirdly, the flexibility of the project or program and the soundness of its financing would have to be clearly established. In other words, our support would have to go to a program that we were sure would be sound financially.

Fourthly, overseas projects or programs would be undertaken only with the concurrence of the country concerned. This we would not interpret as requiring countries concerned actually to request the assistance, as is now required under the normal government-to-government programs, but we would not obviously be wanting to support a program or project that was not generally acceptable to the government concerned.

Fifthly, the rule of additionality would at all times be observed. This means that Government support of projects or programs would always be related directly to increasing the extent or scope of Canadian aid activity and not to substituting Government funds for available private sector funds. In other words, it is not simply an attempt to have the government move in and take the place of existing private sources of financing of these programs. It is designed, on the contrary, to

provide a stimulus and an incentive to expansion of private programs and an increase in their quality.

Senator MacKenzie: Would churches and religious denominations be eligible, if they came up with a good program?

Mr. Strong: Yes, I think the important point to bear in mind is that it is a program designed to provide support for projects and programs, and not for institutions as such. This means that if churches have, as they do have, programs or projects that are aimed at development, at filling economic and social needs, these programs and projects would be eligible.

Senator Croll: Such as?

Mr. Strong: Operating well-drilling programs, certain kinds of educational institutions, certain kinds of technical vocational training institutions. The churches, through their mission programs, today undertake a wide variety of programs, and it is programs of this kind, which are clearly related to economic and social development, as distinct from the proselytizing side of it, that would be eligible for support.

Senator Croll: If you proselytize the economy, that is all right?

Mr. Strong: I would not like to use the word "proselytize" in any sense related to this program of ours.

The Chairman: I think there was a film, or at least I saw one some time ago which gave an indication of what these church organizations were doing in these countries. They were operating bulldozers and all kinds of heavy equipment with regard to development.

Mr. Strong: That is correct.

Senator Gouin: I would like to refer, Mr. Strong, to a question of policy. In the *Montreal Gazette* of this morning there is an article concerning the Honourable Mr. Cardinal from Quebec, who seems to ask for a monopoly in the matter of education in French. There are a few islands in the Caribbean—such as Martinique—which are French-speaking, and in such cases the Honourable Mr. Cardinal takes the position that Quebec should be consulted. I have a note here that expresses this, but I merely wanted to know if the department has any policy concerning education in French, whether it be in the Caribbean area or in

Africa where larger segments of the public are French speaking.

Mr. Strong: Yes. I can say, of course, that we have a very strong and growing French component to our program, particularly in the educational field. We have been very gratified by the response of French Canadian teachers and educators to our program. There has been, in fact, a very substantial interest shown in this field by French Canadians. Although I cannot comment on the specific statements in the newspapers this morning to which the senator has referred, although I did see them, I can say that in so far as the operation of our program is concerned we have had nothing but co-operation from the Province of Quebec. The selection of teachers for the French speaking countries is done with them. In fact, it is done through recruitment panels set up at our request by the Department of Education of Quebec.

So, at the working or operating level we do have now very close communication, and anything we do in the educational field is done with this co-operation with the provincial department. This is, of course, true of Ontario, and other provinces. We are working with and through the provincial departments of education in educational matters.

Senator Gouin: Thank you.

Mr. Strong: I might say that out of 677 teachers and professors sent abroad under our program last year—actually in the current year—some 266 were from the Province of Quebec, so it can be seen that the participation of that province is very significant indeed.

I might also observe that the amount of support to voluntary agencies is apparent from the size of the project budget, which is \$5 million for the next fiscal year commencing on April 1—always, of course, subject to the approval of Parliament—of which about half, or close to half, would be directed to the CUSO operation. This really means that we have only a little more than \$2.5 million to spread amongst the other agencies in the first year, and this means that we shall have to be highly selective. It also means there will have to be criteria which will limit the amount that can be spent in support of the projects or programs of any particular organization.

As the program develops one would hope that our capacity to identify and process more and more projects would lead to consideration of larger budgets, but in the initial

instance the fact that we will have roughly \$2.5 million to spread over a voluntary program which now, according to our best estimates, has a total dimension of something in the order of \$35 million, indicates that we will be looking very clearly for this particular project and that particular program which will add something extra, and that will do something that is likely to induce either more quality or more quantity, and we will not be able to spread our support across the board in respect of all the programs of these agencies, or anything near that.

I might also mention that Senator Macnaughton, whom I do not see present at this moment, did ask at the meeting on December 14 last for information concerning the Caribbean program. This information has been provided to each of the honourable senators here.

Senator MacKenzie: Mr. Chairman, before we leave the matter under discussion I should like to say that I had lunch with Senator Leonard, and he brought to my attention the fact that when he was visiting a university in one of the countries where this program is carried out—India, for instance—he went into the library looking for material on Canada, and the best he could find was a Canada Year Book of 1952. If that is all that the students in the countries we are providing aid for have access to about Canada I wonder whether it would not be possible for external aid to bring together a useful selection of Canadiana as a form of aid, ensuring that this was made available in French and English through the appropriate institutions in the countries to which we give aid. This is just a suggestion.

Mr. Strong: I think that is a very good suggestion. It has just been pointed out to me by my associate, Mr. Drake, that the Department of External Affairs has an international information program which provides a certain amount on this, but I think the honourable senator is correct in his assumption that this is a field in which we might well do more than we are doing. Certainly we will have a look at it. May I proceed, Mr. Chairman?

The Chairman: Yes, please.

Mr. Strong: I think I need not make any more specific comments on the Caribbean unless there are any further questions on it. We did deal in some detail with the Caribbean in my earlier comments, so unless there are any questions on it I will go on to the next subject, which is the program in Vietnam.

Senator Fournier (De Lanaudière): Perhaps I might be permitted to ask this. Do the countries to which we send help try to use our contributions as they please, or are they willing to accept our suggestions for help, made to the best of our knowledge?

Mr. Strong: This is rather a two-way process. Essentially our program is responsive, by which we mean that we respond to requests made to us for assistance. We obviously have to let them know the kinds of things we are in a position to make available, and we regard this as a responsibility; we believe we have to do this so that aid funds are used primarily to supply Canadian goods and Canadian services. We do, therefore, enter into a two-way process with them. We sit down with them in discussion and inform them of the things we have to offer under our aid program. We hear from them the needs they feel they have and we then endeavour to match up Canadian resources with the needs. In the course of doing this we also look at the merits of the project. We are not bound to accept their request. We usually have a good relationship with these governments, which permits us to exchange views with them freely and frankly concerning the merits of particular projects. Certainly we are not bound to accept projects which we do not think have merit, even though they may well be projects which could use Canadian goods and services. The other countries by the same token normally feel equally free to suggest to us variations in the approach. The project, then, is really a product of the dialogue, the negotiations.

Senator Fournier (De Lanaudière): A gentleman's agreement?

Mr. Strong: Yes.

Senator Grosart: Before we move off the subject of Canadian information abroad, I notice that in the latest release by the External Aid Office you publish 1966 comparative international figures which show Canada in a very bad light, which are certainly not up to date figures. You also reproduce an editorial from either the *Financial Times* or *The Financial Post* which attempts to modify its impact. I wonder if, speaking of the image of Canada abroad, and this obviously comes out from your own publication, would it be wise to avoid using these international figures, which are out of date, which require tremendous calculations? Surely they can be brought up to date, particularly in view of the fact

that Canada is greatly accelerating its program and the major nations are decelerating theirs?

I suggest that, for our own peace of mind, for your own publication, you should not put out those figures.

Mr. Strong: I would accept the honourable senator's statement. He is very much more qualified in the field of information than I could attempt to be. I rather tend to agree with you. I might explain, however, why we do this. The publication to which you refer, which is called "International Development" is particularly one for Canadians who are in the field themselves. The reason we published the figures—it may have been the wrong thing to do from an information point of view—was that these people see these figures from other sources and very often are asking us for an explanation of them. It was in response to that kind of question, that we got from our own people in the field, that we did this—but certainly we will have a second look before we do it again.

Senator Grosart: I would seriously suggest that you make up your own figures. These IDA figures are loaded against Canada. For example, they show us in an unfavourable light comparative to Portugal. I do not think we should be putting out this kind of information, regardless of where it comes from. Our external aid program is infinitely superior on every ground to that of Portugal, to take one example; yet on the bare face of the statement which your own office has published we are in a very very unfavourable position to Portugal in the matter of external aid.

Mr. Strong: I think the senator's point is very well taken. This is a position, of course, that the Canadian Government representatives have taken from time to time over a period of years, as I think the honourable senator knows, at various international forums. We recognize that the DAC figures are not truly representative of the quality of the Canadian aid, primarily, but they are published internationally and occasionally we did feel compelled to comment on them. I certainly accept the significance of your comment, senator.

Perhaps our program in Vietnam has been one of the most widely publicized aspects of our program. In the material, the statement which I filed with the submission which I made on December 14th, I referred to our

program in that country, and I will review it briefly again, because we have had quite a number of questions on it and that, I think, is evidence of the fairly deep interest in this particular aspect of our program.

In the initial period of the program we provided food aid at the request of the Vietnam authorities. This was done in really only one instance, at the beginning of the program. Since that time the accent clearly has been on technical assistance and medical assistance. In the 1966-67 fiscal year we spent about \$700,000 on technical assistance and educational programs in Vietnam, and about \$1.2 million on what you might call primarily medical aid programs.

It is interesting to note, too, that a total of about 400 students have been brought to Canada from South Vietnam and that at the present time there are some 235 students from South Vietnam in Canada—representing the largest single contingent of foreign students, from any country. Most of these, of course, are receiving their academic or technical training in French language institutions.

In past years, in particular, there has been a changing emphasis in our programs, which I think will be well understood. One of the prime needs of South Vietnam is in the field of emergency medical attention. This means that our program there has had to emphasize the meeting of emergency humanitarian needs to a far greater extent than we do in any other area.

The primary purpose of external aid is to induce or to help companies develop their own resources to meet these problems. Therefore we are normally concentrating on self-help projects which relate to the training of personnel and the provision of long-range capital equipment programs which are likely to have a considerable multiplier effect in terms of future development.

In Vietnam we have tried to preserve as much as possible this developmental element in our programs, but we have obviously had to modify our approach to take account of the very difficult situation as created by the war in that country. Therefore we have gone very much in the direction in the last few years of medical assistance. I might mention that we had a special task force go out to South Vietnam about two months ago. Mr. Drake, who is with me today, was with that task force, as was Major General Winch, the National Commissioner of the Canadian Red Cross, a prominent Montreal doctor and several other officers. The purpose of this team was simply

to take a look at all of the things that we were doing in respect of medical assistance to South Vietnam, to discuss with the Vietnamese authorities their own needs for further assistance and to look at the details of specific new projects and new programs that were under consideration.

The team visited, among other places, the clinic at Quang Ngai, which started off primarily as a tuberculosis clinic but has widened its functions to the point where it has been in a position to provide a wide variety of medical services to that community some 350 miles north of Saigon.

Recently you may have read in the press reports that the work at Quang Ngai has been temporarily suspended—I hope the suspension is temporary—because of the recent eruption of violence in that area. I am very pleased to note that all of the Canadian medical personnel from Quang Ngai are safe; that all except one have been evacuated from Quang Ngai and are being used in other ways because, as I am sure you will appreciate, there are a great many additional needs which have developed in the last few weeks for emergency medical attention in other parts of the country. So the personnel are safe. They are fully employed and we will have to await further developments before we can determine the extent to which it will be possible to resume the very commendable work our people have been doing up in Quang Ngai.

This probably has been the largest single Canadian program or Canadian project, but it is by no means the only one. In addition to the Quang Ngai clinic we have undertaken a program of providing 10 emergency hospital units. Now these hospital units are package units that were designed to meet emergency conditions which could develop in war time or times of disaster and they are designed to be placed into buildings. They do not consist of buildings themselves. They are designed to be moved to any part of the world and to be installed in existing buildings and to permit the rapid establishment of a functioning hospital unit with 200 beds in each of them.

These units were so effective that our medical team, our task force to which I referred earlier, reported to us that we should provide some additional units. A request for 10 more units was made by the South Vietnamese authorities and it is very likely that these will be provided.

Senator Croll: Who runs the show?

Mr. Strong: These are installed in various hospitals out in the provinces and normally these are run by the Vietnamese medical authorities themselves with the assistance of foreign doctors.

Senator Croll: This troubles me because there have been reports for some time now by very responsible American officials and corroboration from young Senator Kennedy, who has just come back from Vietnam, to the effect that corruption in Vietnam was worse than anything since the days of the Romans, and I understand it was pretty bad in the days of the Romans. How do you avoid it?

Mr. Strong: The type of program in which we are involved is designed amongst other things to deal with specific needs where we have a very clear understanding and knowledge of the needs and we follow them through until our efforts have resulted in a completed project or program. In the case of hospital units Canadian personnel were sent out to supervise the installation of these units and equipment and it was handled in a way which does not lend itself to abuse or corruption or any other purpose. I cannot say that our programs would be wholly immune to all the forces that work in a disturbed situation like you have in Vietnam, but I can say that I do not know of any instance where Canadian material or Canadian personnel have been involved in any of the practices that you have mentioned.

Senator Croll: I was not referring to Canadian personnel.

Mr. Strong: I think that being mindful of the difficulties of administering a program in this kind of environment, we attempt to carry out projects and programs which do not readily lend themselves to abuse.

Senator Croll: You send medicine?

Mr. Strong: We send vaccines.

Senator Croll: Well, the Americans claim they are sold on the market. I don't say that is the case, but they say they are.

Mr. Strong: All I can say is that we certainly take all steps we possibly can. For example, the immunization program is done under the general direction of the World Health Organization and Canadians are not actually operating the program, but we are able to oversee the general arrangements under which the program is carried out. I

have certainly not seen any evidence or any reports that there has been any abuse of Canadian aid.

Senator MacKenzie: Do you recruit your own personnel?

Mr. Strong: The External Aid Office does its own recruiting, but we do it with help from the Department of National Health and Welfare where the medical field is involved, and the Canadian Medical Association has also assisted us. They certainly can be helpful in the matter of recruiting medical help. One of the difficulties we are now experiencing is that question of recruitment of medical help. But here the Canadian Medical Association and the Department of National Health and Welfare are assisting us. We do not regard ourselves as being technical experts in this sense and whenever we are choosing technical personnel we seek the advice of the department of government or the agency outside government most capable of assisting us.

Senator MacKenzie: Was the young doctor who was so highly critical of Canadian aid to Vietnam one of our own?

Mr. Strong: There was one whose views were widely publicized and who was very critical of the aid program. That was Dr. Hall. His criticisms were dealt with at a meeting of the House of Commons Committee on External Affairs. Recently there has been a lot of attention focused on Dr. Venema. He was not critical of the Canadian program as such. He was a man who has spent quite a lot of time there and who was in fact until very recently in charge of the Canadian medical aid program. Now Dr. Venema left that project early in January to pursue studies in Holland designed to qualify him even further in this field of serving in tropical developing countries.

When the recent violence erupted, the renewed widespread violence erupted in Vietnam, Dr. Venema immediately left his studies in Amsterdam and returned to Vietnam to see what assistance he could render to the colleagues he had left behind in Vietnam. I think that is a mark of the quality of this man and his dedication to his work in Vietnam, that at the first sign of trouble his thought would be to return to the scene, rather than feel happy that he had left it.

Senator Croll: What is Dr. Hall doing?

Mr. Strong: I understand Dr. Hall is now employed in United States.

Senator Croll: When the matter arose, I got the impression—and, of course, I never saw the doctor—that he was an impatient young man who attempted to cut through red tape for the purpose of doing things in a hurry, and that he did not understand the routine. But when I saw your reply in the House, I did not cuddle up to it a bit, because you were saying, in effect, that the minister of such-and-such in the government of that country was telling you such-and-such. I would not believe him on a stack of twenty Bibles—at least, from everything we have heard. Whereas this young man was a bit impatient, but I did not think it went beyond that. Was I mistaken?

Mr. Strong: I would not be really keen to re-open this whole issue, but, like all these things, as you know, a person sitting in the kind of post in which I sit has access to a lot of data, and one seeks to find ways of communicating a message in situations like this which does not require elaboration of every detail. This was used as a statement which illustrated a point that Dr. Hall himself made in his original testimony, that he had experienced a great many difficulties within Vietnam, with the Vietnamese and with others.

Senator Croll: How much money are we spending in Vietnam at the moment?

Mr. Strong: About \$3 million.

Senator Croll: If we are spending \$3 million, and if there are rumours from responsible Americans and in the press constantly, do you not think it worth while for you to send over somebody to look again and see what is happening to the \$3 million? Do you think this is not worth it?

Mr. Strong: This is exactly what we have been doing. There has been a constant stream from our operation out in South Vietnam. In the last year and a half, with which I am personally familiar, we have had a number of senior people—I referred a few moments ago to the group consisting of Mr. Drake, General Wrinch and several others who went out specifically to look at our medical program, which is by far the largest element in our program.

In addition to that, we had people who went out to look at our technical education and assistance program. In addition to the normal staff on the Control Commission we now have one of our officers who is working

on nothing but education and technical assistance programs. We also have another man on a contract basis who is assisting particularly in the expansion of some parts of our medical program. So, we do obviously take this into account, and we will continue to do so.

It is very difficult to appreciate, I think, but this is a very difficult area in which to operate. It is a war-time situation, where normal institutional methods and procedures just do not always apply.

We have a very basic sympathy with any of our advisers who are out in the field working under these conditions. Our tendency, obviously, is to sympathize very much with them, and we do everything we possibly can to support them. But, with all the best will in the world it is just not feasible to pull all of the strings from Ottawa.

You have to have people who are fairly well self-contained and who can handle difficulties and deal with them on the spot. We must really depend on people to do that because it is just not feasible to direct them wholly from here.

There are people like Dr. Venema for example, who have a tremendous amount of delegated responsibility. He made many decisions on the spot, some of which I might say fell well outside the norms of bureaucratic behaviour. But, we expect that this is going to happen, and we do everything we can to provide support for our people even under these conditions.

Senator Pouliot: Mr. Chairman, there are some very interesting figures published as an appendix to the last report of this committee's proceedings. I thank you for having had that published. I see from it that there are loans that are without interest, and there are loans that carry interest of one per cent, and so on. What is the total amount, in dollars and cents, of those loans mentioned in Appendix "C" of the last report of the committee's proceedings?

Mr. Strong: \$162.45 million.

Senator Pouliot: I understand it is \$1.454 billion.

Mr. Strong: No, senator, it is \$162.5 million. That is the total of the special development loans that have actually been approved for particular projects, and those projects are listed in Appendix "C".

Senator Pouliot: I have a clipping here which I took from yesterday's paper which is to the effect that...

The Chairman: From what newspaper is that, Senator Pouliot?

Senator Pouliot: The *Montreal Gazette*. It is a Canadian Press summary of the Estimates. It says that interest payments on the national debt jumped to a record \$1,402,842,300. The interest payments on the national debt have been naturally increased by the fact that a large amount of money has been loaned without interest to foreign countries. Is that right? I can put my question in another way...

Mr. Strong: I understand your point, senator. I am just attempting to see how I can answer it, because I think you are drawing a direct relationship between these two.

Senator MacKenzie: How much of that money is loaned interest free?

Mr. Strong: Most of our development loans are interest free.

Senator MacKenzie: In perpetuity?

Mr. Strong: There was a service charge levied against these loans of three-quarters of one per cent, but that provision has now been removed. We do make some loans on the basis of three per cent and a 30-year term with seven years' grace in respect of repayment, but most of the loans are, in fact, for 50-year terms and are interest free. I think that the facts that Senator Pouliot has brought out are true. There is an increase in the total interest that Canada pays on its national debt, for which, of course...

Senator Croll: How much is the national debt? Twenty billion dollars?

Mr. Strong: The Canadian national debt? Frankly, I do not know the answer to that.

Senator Croll: I think it is in the neighbourhood of \$20 billion as against \$162 million.

Mr. Strong: It is also true that our development loans bear either no interest or a relatively low rate of interest.

Senator Pouliot: That is not an answer to my question, which I will put another way so that it is clear. At the present time, each year we have to pay \$1,400,000,000 interest on the public debt of Canada. If the countries to whom we make loans without interest were paying interest would the amount Canada has

to pay in interest on the whole debt be smaller, and by how much? I hope I make myself clear.

Mr. Strong: I understand your question quite well. I do not think it would affect the amount we would have to pay. It would perhaps give us a little more money with which to pay it; it would mean we would have a little more on the income side with which to meet those debt repayments.

Senator Pouliot: But the interest would be less. What I cannot understand is why Canada should play the grand seigneur with foreign countries by lending them money without interest. I find it nonsensical. Canadian municipalities have not this same advantage, which is given only to foreign countries. Why, I do not know.

Mr. Strong: I think that on this point it should be observed that the development loans we are now making to developing countries are in the category of aid which we have agreed to provide to those countries as part of our international obligation to provide aid. Formerly we were providing a good deal of this aid in the form of grants, outright gifts. More recently we have provided a higher percentage of our aid in the form of development loans. This really means that in one sense we have been hardening our terms because development loans, despite the fact that they bear no interest, obviously carry with them an expectation of repayment, which is not the case with grants.

Senator Pouliot: Mr. Strong—

The Chairman: Honourable senator, I think the bell will be ringing in a minute so perhaps we could soon conclude. Do you have a short question in mind?

Senator Pouliot: It is a very short question.

The Chairman: Very well.

Senator Pouliot: Your predecessor, Mr. Moran, told us that Canada was giving more than she was asked for. Is that still the case?

Mr. Strong: I do not quite understand what you mean, senator.

Senator Pouliot: It means that when the average aid was so much, Canada was doing more than that. That was the tenor of his evidence.

Mr. Strong: I do not know the statement to which you refer, but I can say that the internationally accepted target is one per cent of a country's gross national product. This is a target to which Canada has subscribed. The Canadian Government has indicated that the Canadian aid program will be increased to the point where hopefully by the early 1970's we will have achieved that target of one per cent. At the present time our aid allocations represent about .6 of 1 per cent of our gross national product. So, while I think our program is one we can be proud of—it is one that is growing rapidly, more rapidly in fact than that of almost any other country in the western world—it is still short of one per cent per annum.

Senator Pouliot: There is one question I will not ask you, because you are not in a position to answer it. It is, why the same policy is not adopted with regard to Canadian municipalities. This I do not ask you.

The Chairman: I think that is a matter of government policy.

Senator Pouliot: I will ask you another question, if you permit me. Are there any countries which lend money to any foreign country without interest, and what are they?

Mr. Strong: There are a great many of them, honourable senators.

The Chairman: I will have to ask for a motion to adjourn now. Before doing so, may I say that Mr. Strong has provided us with a document entitled "Canadian Development Assistance to the Commonwealth Caribbean". This is a very complete statement in regard to Canada's assistance. May I have your permission to have that printed as an appendix to today's proceedings?

Hon. Senators: Agreed.

(For statement see Appendix "D")

The committee adjourned.

APPENDIX "D"

*Canadian Development Assistance to the
Commonwealth Caribbean**Background*

Canada has traditionally had substantial interests in the Commonwealth territories of the West Indies, and in 1958 the Federation of the West Indies became the first area, after the Colombo Plan, to which a Canadian aid program was extended, with a total of \$10 million being made available for the five-year period commencing in the fiscal year 1958-59.

Following discussions with the Government of the West Indies Federation, it was decided that initially Canadian assistance should be devoted primarily to projects which would strengthen the ties uniting the various members of the Federation. It was agreed that transportation and education were general fields in which support for federation could be generated and the first major assistance projects were directed to these areas. The West Indies Federation Government attached high priority to providing ocean transportation which would permit regular and inexpensive freight and passenger service between the scattered islands. Canada agreed, therefore, to build and equip two modern vessels for this service. The two ships, the "Federal Palm" and the "Federal Maple" were delivered to the Federation in 1960 and 1961, at a cost to the Canadian Government of almost \$6 million.

In the field of education a regional university had been established to serve the area even before federation, and Canada undertook to provide a university residence on the Port of Spain campus, at a cost of \$700,000. This building, Canada Hall, was officially opened in January, 1964. The University of the West Indies continues, of course, to serve all the former members of the Federation, and Canadian assistance to education has retained a high priority in the program to the Caribbean.

In addition to those two major projects, the Canadian aid program from its inception devoted considerable attention to technical assistance. The costs to the West Indies Program of teachers, advisers and training

awards grew steadily from the \$75,000, devoted to this purpose in the first year of the program, to \$195,000 in the fifth year. The two major projects and the expanding program of technical assistance accounted for virtually all of the \$10 million which the Canadian Government had made available for the West Indies Federation during the first five years of the aid program.

The Canadian program of assistance to the West Indies continued after the dissolution of the Federation, though obviously a change in the terms of reference became necessary. With the separate independence of Jamaica and Trinidad, Canadian diplomatic missions were established in these islands and assistance was carried on through bilateral negotiations, on the basis of requests submitted by the individual recipient governments. At the same time Canada joined with the United States and Britain in carrying out a survey of the smaller island territories and as a result of this review, Canada accepted certain projects to be carried out in these islands. A major Canadian objective in this revised program was to concentrate its aid efforts in fields where there were obvious shortcomings in the islands.

During the interim one-year period after the completion of the first five-year assistance program, and prior to 1964-65 when decisions were taken to increase substantially the level of Canadian aid to the area, only a few relatively minor projects were undertaken in the two newly independent countries and technical assistance assumed the greatest importance. The installation of a modern VOR landing system for Piarco International Airport was initiated for Trinidad at a cost of approximately \$150,000 and a small quantity of technical school training equipment was made available to Jamaica.

In the yet dependent Little Eight Islands, on the other hand, the year 1963-64 brought a decision to initiate programs in several fields, including education, the storage of produce, transportation and water distribution. These programs were continued in 1964-65 when

substantially more funds were made available. In fact, funds allocated to the Little Eight islands during the latter year were almost as high as what had been spent in any one previous year in the complete aid program for the Caribbean. In education, where problems were particularly acute, four primary schools were constructed and equipped in the islands of Grenada (two), Antigua and Dominica, at a cost of \$1.5 million and a vocational training school on the island of St. Kitts was supplied with Canadian equipment. In providing facilities to assist the islands in developing their local crops, and to permit more efficient storage and handling, two warehouses were constructed on the islands of St. Kitts and St. Lucia. Moreover, a variety of port handling equipment to a value of \$300,000 was delivered to five of the eight islands. In the field of inter-island transportation, a deep water wharf and warehouse project, undertaken on the island of St. Vincent, was completed in September, 1964, at a cost of \$1 million. In assisting the islands with problems of water storage and distribution, Canada undertook surveys at a cost of more than \$400,000 to locate and tap water resources in Montserrat and St. Kitts. Another interesting project involved a major forest survey, undertaken in Dominica, now being followed up on a commercial basis by Canadian firms interested in using logs from Dominica for veneer production.

It is in the field of technical assistance, however, that Canada has made its major contribution to the Commonwealth countries and dependencies of the Caribbean. To the end of December, 1966, Canada has received and trained 922 persons from the Commonwealth Caribbean. This has reached a new high point during the current fiscal year when in September, 388 students from the Commonwealth Caribbean were studying in Canada, a startling increase from the four students who began the program in the Fall of 1958. During the same nine-year period, Canada has sent abroad to the area a total of 364 Canadian teachers and advisers. Again, the most spectacular increase has occurred during the current year, when Canada has had 110 teachers and up to 29 technical advisers under contract in the Commonwealth Caribbean, compared to the three teachers who first went to serve in the Caribbean area in 1958. The costs of the technical assistance program alone for the Commonwealth Caribbean during the current year are expected to

exceed \$3.8 million, or almost one-quarter of all the funds available for the area.

Current Programs

In November 1963, the Canadian Government announced its intention of instituting a much more comprehensive program for the Commonwealth Caribbean for the fiscal year 1964-65, making available approximately \$9 million for that fiscal year, almost five times as much as had been available in any previous year. This permitted the continuation and extension of the various projects in the Little Eight islands and the inauguration of several programs in Jamaica, Trinidad and British Guiana (Guyana). The Canadian Government decided to continue aid to the Commonwealth countries and dependencies of the Caribbean at a high level for the fiscal year 1965-66, and \$10 million was allocated to this area. Expanded assistance programs financed from both grants and development loans, and based on requests submitted by the governments were initiated. At the Commonwealth Caribbean-Canada Conference held in Ottawa in July, 1966, Canada made clear its intention further to expand its aid to the area. The allocation for that year was increased to \$13.1 million, and it was announced that the Caribbean could expect to become eligible for assistance totalling \$65 million as a minimum during the five year period ending in 1971, in marked contrast to the \$10 million five year pledge which had initiated the program in 1958. The program has been increased to a new high level during the current year, when \$17.2 million was allocated to the Caribbean area.

(1) Trinidad and Tobago

In Trinidad approximately \$3.5 million in grants and loans were committed to projects that were approved as part of the 1964-65 Canadian aid program. Canada carried out pre-engineering surveys in the fields of water supply, transportation and harbour development. Two smaller projects provided a supply of fire fighting equipment for the island of Tobago and a set of Canada Law Reports for the Attorney-General of Trinidad. Funds were made available under the special development loan program for four important projects. These included the supply of lumber for a program of low-cost housing construction, the provision of port equipment for Port of Spain harbour, the supply of materials for a rural electrification program and the provision of materials for the

construction of two port warehouses and of several factory shells for industrial development sites.

The program for Trinidad for 1965-66 involved the allocation of a further \$3 million in grants and loans. The expanded program of technical assistance accounted for virtually all grant expenditures and loan funds were made available for four new projects. A major aerial photography and mapping program was undertaken to permit more accurate planning by Trinidadian authorities. Canadian consulting engineers were assigned to two high priority surveys, in the water resources and transportation fields. Canadian assistance was also made available through the provision of dairy cattle, to be used in a Trinidadian program of land reclamation and dairy development.

The 1966-67 program allocated \$3.6 million in grants and loans to Trinidad and again technical assistance used all available grant funds. The program to be financed with development loans remains under discussion with the Government of Trinidad as does the program for \$4 million allocated to Trinidad and Tobago for 1967-68.

(2) *Jamaica*

The enlarged Jamaican program in 1964-65 involved more than \$2.9 million in grant and development loan funds. From grant funds Canada agreed to provide a deep sea fishing vessel, a selection of technical school equipment and a supply of pipe for various small rural water distribution schemes. Development loans were approved to finance the construction of an important bridge, the installation of a sewerage project in a suburb of Kingston, and the construction of a series of prefabricated rural schools.

More than \$3.3 million was allocated to Jamaica for the 1965-66 aid program. Additional technical school equipment and pipe for rural water distribution schemes were financed with grant funds. A series of development loans were negotiated with Jamaica for projects to which the Jamaican government attached high priority. An island-wide-radio-telephone system, the provision of various items of Public Works equipment, assistance in the establishment of youth camps, aid for a bridge building program, the provision of equipment for a new hospital and an expansion in the program of prefabricated rural schools are all being financed with Canadian development loans.

The 1966-67 program made available a total of \$3.5 million in grants and loans for Jamaica. The grant funds were all required to finance the technical assistance program and loans were negotiated for low-cost housing, a water distribution project, and a series of pre-feasibility of pre-engineering surveys.

Jamaica has been allocated \$4 million for 1967-68 and discussions are taking place regarding projects to be financed with these funds. Approximately one quarter of the allocation will be used to support the program of Canadian technical assistance.

(3) *Guyana*

In addition to the programs being undertaken in Jamaica and Trinidad, Canada has agreed to provide for Guyana a substantial assistance program where Canadian aid in the past had been only minimal. More than \$1.2 million in grants was earmarked for Guyana in 1964-65. Among the projects financed from these funds were a program of assistance to the Amerindian residents of the country, the provision of two diesel locomotives, and the supply of a wide variety of highway construction equipment.

The program for Guyana for 1965-66 was based on a further \$1 million allocation for that country. Assistance in the field of education was provided through aid to the University of Guyana and to a new vocational school in New Amsterdam. Additional projects included the provision of a fish processing centre for New Amsterdam and an extension to the program of assistance to Amerindian residents, initiated during 1964-65.

In 1966-67 Guyana was allocated a total of \$2 million including the first development loan funds made available to that country. In addition to an expanded program of technical assistance, these funds financed the provision of a Twin-Otter aircraft, the initiation of an aerial survey, and further assistance to the University of Guyana and the New Amsterdam Vocational School.

An increased program for 1967-68 has made \$3.2 million available for Guyana and discussions are now taking place on possible projects for financing with these funds.

(4) *Little Eight and British Honduras*

In 1965-66, several new projects were initiated in the Little Eight islands and British

Honduras, since the major program which had been underway for the previous two years had been completed. \$2.5 million was made available for new projects in the dependencies, including an expanded technical assistance program. Major Canadian assistance was again channelled to water development, including projects in St. Kitts, Montserrat and St. Lucia and to schools, with the provision of two new schools in Antigua and Dominica. Canadian assistance was made available also to the University of the West Indies at Barbados, through the provision of furniture and equipment for new buildings on the Barbados campus. A bridge in British Honduras and a fish storage plant in Grenada were also undertaken as part of the 1965-66 program.

The allocation for these territories in 1966-67 was increased to \$3 million, one-third of which was required for technical assistance. Additional funds were made available from this allocation for the bridge in British Honduras, water development in St. Lucia and the fish storage plant in Grenada. New water projects were approved for Antigua and a new school project for St. Lucia.

The governments of this area were informed that the allocation for 1967-68,

\$5 million, would be considered a minimum allocation for each of the next four years and that programs would be developed involving \$1 million per year for each of: education, water development, and air transport. The programs for education and water development remain under discussion, but a five-year program of aid to air transport has been agreed upon. This will involve airport improvements or extensions in Antigua, St. Lucia and Nevis, and feasibility studies in Grenada and Dominica. Canada will also be assisting in the field of agricultural development within the Eastern Caribbean and has allocated \$1 million over the five-year period for this purpose.

(5) *University of the West Indies*

In July, 1966, Canada signed an agreement with the U.W.I., undertaking to provide assistance over a five-year period totalling \$5 million. The program will finance the provision of professors, the award of undergraduate scholarships tenable at the U.W.I., and postgraduate scholarships in Canada, and the construction of various buildings on the three campuses of the University.

